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TENANT MANAGEMENT OF PUBLIC HOUSING

ORIGINAL

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON
BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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TENANT MANAGEMENT OF PUBLIC HOUSING

TUESDAY, MARCH 25, 1986

House of Representatives,
Subcommittee on Housing and
Community Development,
Committee on Banking, Finance and Urban Affairs,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez (chairman of the subcommittee) presiding.

Present: Chairman Gonzalez, Representatives Frank, Oakar, Torres, and Bartlett.

Chairman Gonzalez. The subcommittee will please come to order.

The Subcommittee on Housing and Community Development today is taking advantage of an opportunity of hearing from people involved in the tenant management of public housing in a meeting in Washington this week to hold a hearing on the experiences of tenant managers or management of public housing in a number of public housing authorities around the country.

Since the House meets in only pro forma sessions this week, we will probably not have a large turnout of members for the hearing, but that does not indicate a lack of interest of our members on this particular issue.

As a number of you will no doubt recall, the subcommittee visited the Kenilworth-Parkside project 1 year ago and were hosted by the remarkable Kimi Gray and her associates. We met with her and toured her project and saw what the corporation was doing to upgrade the operations of that particular project.

We are pleased to have with us again today Ms. Gray, who testified before us on March 5, 1985, during our extensive legislative hearing last year.

We do have the presence of an authority of legislation that would recognize through legislation the encouragement of tenant management, part of which we have incorporated in our authorization bill.

[The opening statement of Chairman Gonzalez follows:]

OPENING STATEMENT OF CHAIRMAN GONZALEZ
HEARING ON PUBLIC HOUSING TENANT MANAGEMENT
TUESDAY, MARCH 25, 1986

THE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT TODAY IS TAKING THE OPPORTUNITY OF HEARING FROM PEOPLE INVOLVED IN THE TENANT MANAGEMENT OF PUBLIC HOUSING WHO ARE MEETING IN WASHINGTON THIS WEEK TO HOLD A HEARING ON THE EXPERIENCE OF TENANT MANAGEMENT OF PUBLIC HOUSING IN A NUMBER OF PUBLIC HOUSING AUTHORITIES AROUND THE COUNTRY.

SINCE THE HOUSE WILL BE MEETING IN ONLY PRO FORMA SESSIONS THIS WEEK, WE WILL PROBABLY NOT HAVE A LARGE TURN OUT OF MEMBERS FOR THIS HEARING, BUT THAT DOES NOT INDICATE A LACK OF INTEREST OF OUR MEMBERS ON THIS PARTICULAR ISSUE. AS A NUMBER OF YOU WILL NO DOUBT RECALL, THE SUBCOMMITTEE VISITED THE KENILWORTH-PARKSIDE PROJECT ONE YEAR AGO AND WERE HOSTED BY THE REMARKABLE KIMI GRAY AND HER ASSOCIATES. WE MET WITH HER AND TOURED HER PROJECT AND SAW WHAT THE KENILWORTH PARKSIDE RESIDENT MANAGEMENT CORPORATION WAS DOING TO UPGRADE THE OPERATIONS OF THAT PARTICULAR PROJECT. WE ARE PLEASED TO HAVE WITH US AGAIN TODAY, MS. GRAY, WHO TESTIFYED BEFORE US ON MARCH 5, 1985, DURING OUR EXTENSIVE LEGISLATIVE HEARINGS LAST YEAR.

ALONG WITH MS. GRAY, WE WILL BE HEARING FROM MS. BERTHA GILKEY OF ST. LOUIS, MISSOURI, REVERAND ROBERT BLOUNT OF JERSEY CITY, NEW JERSEY, MS. LENA JACKSON OF CLEVELAND, OHIO, MS. MILDRED HAILEY OF BOSTON, MASSACHUSETTS, AND MR. ROBERT WOODSON. PRESIDENT OF THE NATIONAL CENTER FOR NEIGHBORHOOD ENTERPRISE HERE IN WASHINGTON. FOLLOWING THAT PANEL, WE WILL HEAR TESTIMONY FROM MR. ROBERT RIGBY, THE EXECUTIVE DIRECTOR OF THE HOUSING AUTHORITY OF JERSEY CITY, ON BEHALF OF THE COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES, AND MR. CLYDE T. J. McHENRY, REPRESENTING THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS. MR. McHENRY IS A FORMER HUD OFFICIAL WHO SERVED DURING THE CARTER ADMINISTRATION.

OUR COLLEAGUE FROM THE DISTRICT OF COLUMBIA, MR. FAUNTROY, AND OUR COLLEAGUE FROM NEW YORK, MR. GARCIA, HAVE EXPRESSED INTEREST IN THIS ISSUE OF TENANT MANAGEMENT AND I AM PLEASED THAT MR. FAUNTROY COULD BE WITH US TODAY DURING THE COURSE OF THIS HEARING. I NOTE THAT MR. FAUNTROY HAS INTRODUCED A BILL, H. R. 4026, ENTITLED "PUBLIC HOUSING RESIDENT MANAGEMENT ACT OF 1986." WHILE I SUPPORT THE EFFORTS THAT ENCOURAGE THE DEVELOPMENT OF PUBLIC HOUSING RESIDENT MANAGEMENT, I BELIEVE IT IS TOO EARLY TO SUPPORT THE COMPREHENSIVE APPROACH TAKEN BY MY COLLEAGUE, MR. FAUNTROY'S BILL. THERE ARE A NUMBER OF ISSUES IN THE BILL THAT I WHOLEHEARTEDLY SUPPORT BUT SOME OF THE CONCEPTS, SUCH AS WAIVING STATUTORY AND REGULATORY REQUIREMENTS, NAMELY THE DAVIS-BACON REQUIREMENTS AND MINIMUM PROPERTY STANDARDS, I OPPOSE. I BELIEVE THAT THERE IS A FERVADING BELIEF THAT ALL WE HAVE TO DO IS WAIVE EXISTING REGULATIONS AND RULES AND ALL OUR PROBLEMS ARE SOLVED. THAT IS AN UNDERPINNING OF THE SO-CALLED URBAN ENTERPRISE ZONE PROPOSAL THAT HAS BEEN BEFORE THE CONGRESS FOR 5 YEARS NOW. THIS TYPE OF APPROACH CARRIES WITH IT A CERTAIN MYSTIQUE AND MAGIC THAT JUST DOES NOT HOLD UP TO REALITY. AS ONE WHO WORKED FOR A PUBLIC HOUSING AUTHORITY, I KNOW FROM PRACTICAL EXPERIENCE THE DIFFICULTIES OF MANAGING PUBLIC HOUSING PROJECTS. AND AS A DEFENDER OF OUR PUBLIC HOUSING PROGRAM AT A TIME WHEN IT IS UNDER CONSIDERABLE ASSAULT, I AM VERY DEFENSIVE ABOUT PEOPLE WHO ATTACK IT FOR WHATEVER REASON. BUT I AM OPEN TO PROPOSALS AND SUGGESTIONS FROM PEOPLE LIKE KIMI GRAY WHO SEEK TO IMPROVE THE LIVES OF PEOPLE LIVING IN PUBLIC HOUSING.

I WELCOME OUR WITNESSES HERE TODAY AND WOULD NOW LIKE TO CALL THEM UP TO THE TABLE.

Chairman GONZALEZ. And at this time it gives me great pleasure and a honor to ask Mr. Fauntroy if he wishes to make a statement.

Mr. FAUNTROY. Thank you so very much, Mr. Chairman.

I want to express my heartfelt appreciation to you for your willingness to give an early and speedy consideration to this concept.

And I want to say to my colleagues on the committee that I think this hearing will certainly convince them of the tremendous value of tenant management of our public housing units.

It is an idea whose time has come.

As you know, I have introduced H.R. 4026, a bill that would amend the United States Housing Act of 1937. The bill's principal aim is to convert Government management of housing to resident management.

Unlike private housing managers, Government managers tend to work an 8-hour day; they don't live on the site; and have no real stake in the condition of the property.

As a result, housing for low-income families is among the worst managed and poorly maintained in the country.

Mr. Chairman, I am pleased to note that with you is Ms. Kimi Gray, a shining example of how public housing projects can be managed.

In 1979, Kimi Gray, an active leader at Kenilworth-Parkside, convinced District housing officials to let the residents take control.

In March 1982, after a 2-year training program, the residents formed a nonprofit corporation to assume management of their apartments.

The changes that occurred over the first 3 years have been spectacular. Rent collection has increased 179 percent. Onsite administrative costs have dropped by 60 percent. Expenditures for routine maintenance have declined by 20 percent.

In fact, the program that was once totally dependent on Government support now no longer needs a Federal operating subsidy.

Similar results have also been achieved in New Orleans, Jersey City, Boston, St. Louis, and Cleveland. Those success stories, Mr. Chairman, will be told by representatives who are here with us today.

We must now act, I believe, to facilitate the sharing of this success model with public housing residents across the country.

H.R. 4026 is a start, Mr. Chairman, and while I am confident that its provisions can produce the desired end, I am not wedded to them. Section 12, for example, raises the specter of the Davis-Bacon Act.

Debate on tenant management should not evolve into a referendum on Davis-Bacon. There are, however, many good features of the bill. In order to increase resident management this bill proposes increased flexibility for those projects managed by residents by, first, providing assistance to upgrade the condition of management and operation of the project; second, permitting the retention for approved purposes of excess revenues; and third, providing funding for assistance in the formation and development of resident management entities.

Upon commencement of a tenant management project, a resident council would be elected. Along with a management specialist, a resident council would determine the feasibility of or establishment of a resident management corporation to manage the project.

After a training period and provision of insurance against theft of losses, the corporation may enter into a contract with the public housing agency establishing the respective rights and responsibilities of the corporation and the public housing agents.

The corporation will be required to submit their books and records annually for audit. H.R. 4026 waives certain Federal requirements determined to unnecessarily increase the cost or restrict the income of a public housing project.

The intention is to give resident management every chance of success.

To form sturdy foundations, each project will receive an operating subsidy equivalent or greater than that which it received the previous year.

This amount may not be reduced for 3 years going on the date the resident management corporation receives its first operating subsidy.

Any excess revenues from the operating costs may be retained by the corporation for approved purposes. Additionally, the Secretary of HUD may provide financial assistance to resident management councils to obtain technical assistance for the formation and development of resident management entities as well as for identifying and securing the social support needs of the residents.

This support for technical assistance may not exceed $100,000.

Kennilworth-Parkside and other successful experiments in resident management demonstrate that tenants taking an active role in their project management produce results far better than those typical of public housing.

Again, I want to thank you, Mr. Chairman, for taking the time to consider this important matter.

Among those who have come, some are not able to testify this morning, but I did want to recognize, in fact, that Mr. John Bacon, representing the Ute Indian Tribe in Colorado, is here, together with Irene Johnson of the Tenant Management Group in Chicago; and Louis Watson of the St. Bernard Tenants Management in New Orleans.

[The text of the bill H.R. 4026 follows:]

I

99TH CONGRESS
2D SESSION

H. R. 4026

To amend the United States Housing Act of 1937 to encourage resident management of public housing.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 1986

Mr. FAUNTROY introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

---

A BILL

To amend the United States Housing Act of 1937 to encourage resident management of public housing.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Public Housing Resident Management Act of 1986".

SEC. 2. PUBLIC HOUSING RESIDENT MANAGEMENT.

The United States Housing Act of 1937 is amended by adding at the end thereof the following new section:

"PUBLIC HOUSING RESIDENT MANAGEMENT

"Sec. 20. (a) Purpose.—The purpose of this section is to encourage increased resident management of public housing projects, and to improve existing living conditions in public housing projects, by providing increased flexibility for public housing projects that are managed by residents by—

"(1) giving a priority for comprehensive improvement assistance under section 14;

"(2) waiving certain statutory and regulatory requirements;

"(3) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

"(4) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

"(b) Program Requirements.—

"(1) Resident council.—As a condition of entering into a resident management program, a majority of the adult residents of a public housing project shall approve the establishment of a resident council to determine the feasibility of establishing a resident management corporation to manage the project.

"(2) Public housing management specialist.—The resident council of a public housing project, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training in the daily operations of the project.

"(3) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing project, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements of the Secretary and the public housing agency. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

"(4) MANAGEMENT RESPONSIBILITIES.—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, may enter into a contract with the public housing agency establishing the respective management rights and responsibilities of the corporation and the public housing agency. Such contract may include specific terms governing management personnel, access to project records, submission of and adherence to budgets, rent collection procedures, tenant income verification, tenant eligibility determinations, tenant eviction, the acquisition of supplies and materials, and such other matters as may be appropriate.

"(5) ANNUAL AUDIT.—The books and records of a resident management corporation operating a public housing project shall be audited annually by a certified public accountant. A written report of each audit shall be forwarded to the public housing agency and the Secretary.

"(c) PRIORITY FOR COMPREHENSIVE IMPROVEMENT ASSISTANCE.—Public housing projects managed by resident management corporations shall be given a priority in the allocation of comprehensive improvement assistance under section 14.

"(d) WAIVER OF FEDERAL REQUIREMENTS.—

"(1) IN GENERAL.—Upon the request of any resident management corporation, the Secretary may waive Federal requirements that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing project. Requirements that may be waived under this subsection shall include the applicability of section 12 to a public housing project, the applicability of minimum property standards prescribed by the Secretary (but only if local property standards are followed), and the applicability of any other operating or managerial requirement.

"(2) Exceptions.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 16 or rental payments under section 3(a).

"(e) Operating Subsidy.—

"(1) Calculation.—Notwithstanding any provision of section 9 or any regulation under such section, the operating subsidy for a project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis. The operating subsidy amount established for such a project under this subsection may not be reduced during the three-year period beginning on the date on which the resident management corporation first receives such an operating subsidy.

"(2) Retention of excess revenues.—Any revenues exceeding the operating costs and project costs of a public housing project managed by a resident management corporation shall be retained by the resident management corporation for purposes of improving the maintenance and operation of the project, establishing business enterprises, or acquiring additional dwelling units for lower income families.

"(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

"(1) FINANCIAL ASSISTANCE.—The Secretary may provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing projects, and the securing of such support.

"(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing project may not exceed $100,000.

"(3) FUNDING.—Of the amounts available for financial assistance under section 14 for fiscal year 1987, the Secretary may use not more than $1,500,000 to carry out this subsection.".

○

Thank you, Mr. Chairman.

Chairman GONZALEZ. Well, thank you, because I think it was your leadership that demonstrated responsibility for the hearing.

I notice Mr. Frank was here a while ago.

Mr. Frank.

Mr. FRANK. I have no statement, Mr. Chairman, but I am listening.

Chairman GONZALEZ. Mr. Torres.

Mr. TORRES. No statement, Mr. Chairman.

Chairman GONZALEZ. Indeed, we are fortunate to have this many members here and I am grateful for that.

Since Ms. Gray has not arrived, I was going to request Mr. Fauntroy to introduce her, but we will proceed and recognize the second witness on our list, Ms. Bertha Gilkey from St. Louis.

STATEMENT OF BERTHA GILKEY, PRESIDENT, COCHRAN TENANT MANAGEMENT CORP., ST. LOUIS, MO

Ms. GILKEY. Good morning.

I would first like to thank the honorable chairman for allowing us to come this morning to make our testimony on H.R. 4026.

I am Bertha Gilkey, president of Cochran Tenant Management Corp. I reside in St. Louis, MO. I am a female head of household, divorced, have two children. I come from a large family of 15 children, grew up in public housing, a three-bedroom highrise which is known as Cochran Gardens.

I would like to give a brief history. My mother was one of the first black families to move into Cochran. This sits in the heart of the downtown area in St. Louis. Cochran was built predominantly surrounded by factories and old field sites.

Cochran, prior to my mother moving in, was all white. There were no black families. It was not integrated. My mother was fortunate to move into this development as a result of a huge urban renewal project going on in our city.

When we moved into Cochran it was a beautiful place to live. It had grass, trees, flowers, security, community room, and community spaces, laundromats, telephone booths in the lobby.

It was a good place to grow up. Cochran Gardens was not called a project. It was called a community. It was called an apartment complex.

As a young child growing up in Cochran I gradually watched what I considered my home turned into a jungle. It was done systematically, gradually. As it became more and more black the services began to be withdrawn.

Early in 1969, the residents in St. Louis led a rent strike that lasted almost 9 months, because the conditions of public housing had gotten so deplorable.

In 1973 the rent strike was settled. In 1969 and in 1973 St. Louis gave birth to its first tenant management program. Our tenant management corporation is the youngest group in the city of St. Louis. We began to manage our site in 1976.

Understand, when we began to take over managing our public housing site, we did not know what tenant management was. We simply knew that we couldn't live in these deplorable conditions any longer.

For example, in Cochran, rats would walk up the side of the buildings. It was nothing unusual in our public housing site to walk into an elevator and it was full of urine, lights all busted out, or you would take your chances and walk the steps and there would be dead bodies laying on the steps.

All night. There was nothing unusual in our community in 102 degree weather, bullets would start being fired; the drug war would take place, and no children would come outside, even though the heat inside the units was unbearable.

People were afraid to venture out on the grounds.

It was not unusual in our public housing site where the garbage would be lying from one end of the floor to the other end. The incinerator rooms would be filled and quite often set on fire.

The doors would be literally taken off. The entrance doors would be taken off the buildings.

The vacant units would be kicked in, vandalized and set on fire. That is how we have had to live. Our seniors were afraid to leave home and come home.

We decided in 1973–76, when our tenant management for Cochran Gardens decided to take over, we were not going to live in these conditions any longer.

I don't know, Mr. Chairman, if you are aware of the infamous Pruitt-Igoe. In 1973 in St. Louis the city government and the private sector along with the housing authority decided to blow up a public housing site called Pruitt-Igoe.

Pruitt-Igoe housed some 13,000 residents; 99 percent were black, and 98 percent were female heads of household and children.

Cochran Gardens, too, where I live now was also slated, Mr. Chairman, to be blown up in 1974. We decided, the tenants in our community, that we were not going to live in these deplorable conditions any longer, that nobody—the city, the housing authority, or the State or Federal Government—nobody was going to cause us to live like this simply because we were poor, basically female heads of household, that we had a right to a decent place to live.

We had a right to be able to raise our children in a safe community. We then decided to take this task on for ourselves.

We knew that we couldn't do any worse, that the conditions were as bad as bad could be.

We took over managing Cochran; there was 830 units. At least 450 units were vacant. From the 7th floor to the 12th floor they were unoccupied for almost 9 years. The housing authorities used the existing vacant units to go in to take parts for the other occupied units.

It became one of our tasks, Mr. Chairman, to reduce the vacancies. We just didn't want traditional management. We wanted to be able to couple good management practices also with a holistic view, because we live in a community.

We didn't think of Cochran as a public housing project. We thought of it as our home and neighborhood. My mother grew up in Cochran, Mr. Chairman. I have grown up in Cochran, and I have reared two children in Cochran.

I have a daughter in the third year of college and a son who graduates this year and will be going to college. This is not unusual in public housing.

I have found 98 percent of the people in public housing do care, Mr. Chairman, only 2 percent don't care.

But they are trapped in a jungle. They are trapped in a maze, and they cannot get out.

We see the passing of H.R. 4026 as an opportunity to begin to provide other options for other tenant groups to move out of this maze.

I just want to talk a little bit about our accomplishments and the crime we took over in taking over the management of Cochran.

The crime in Cochran is notorious. We had the highest crime in the entire area police district. In fact, we had the highest crime statistics. Our drugpushers had moved into the vacant apartments, kicked the doors in, moved in, hung curtains, moved in furniture, and took up housekeeping.

They sold dope on a regular basis. They went from selling dope to breaking into old furniture store warehouses, and they sold the hot goods from the vacant units.

We knew, Mr. Chairman, who the drugpushers were. I grew up with them. My grandmother used to raise them, and their grandmother raised me.

So, when we began to take over management in our site we knew who the problem families were. We knew who the drugpushers were. We knew who the gang leaders were.

The solution is only in the people, Mr. Chairman. We can—only we can make the quality of life better in our particular community. We met with the drugpushers, met with the women, with the antisocial problems, the children who were writing on the walls, kicking in the elevators, urinating on the steps, and doing everything else that brought down the quality of life of our complex.

We said to them that they could not do this any longer in our community. We would not tolerate this kind of behavior. What we did, Mr. Chairman, we put back standards, we said to people, if you live in our community you must buy into the concept.

It was not a government-mandated concept. It was a people's concept. It was rules and regulations far beyond the kinds of things that the housing authorities required from the tenants in public housing.

In fact, we took drugpushers, first and second offenders, and we used them to do renovations in the vacant apartments.

We took over renovating 450 units using CETA, using Job Corps trainees, utilizing JTPA, WIN and all other programs wherein we trained almost 57 hardcore young men and women to do apartment renovation.

That was back in 1976. We were able to reduce 450 vacancies within a year. We brought 450 vacancies down to 50. Those units were never vandalized because these would have been the very people who would have been doing the vandalizing.

Mr. Chairman, we went a step further and we took hardcore as well as welfare recipients, and we then took vacant apartments and created day care centers.

We now have employed almost 75 welfare recipients who have been running our day care centers for the last 10 years.

Two years ago, we had 20 of them that graduated with associate degrees. Three will graduate with MBA and two with their masters. These women started with us with not even a high school diploma. They are the directors, teachers, who operate the centers in our community.

We provided day care for children between the ages of 6 weeks to 6 years old. I want to make the point that we did not use the housing authority dollars to subsidize the day care centers.

We went out on our own and we became creative, and we began to link together various programs like title 20, along with community block grant funds, to be able to support our day care centers.

We then went a step further. We created a janitorial company, trained 45 welfare recipients in how to clean. We formed a marriage, a partnership with the downtown business.

I now sit on the board for the downtown INC representing my community and also the regional commerce and growth.

Creating that marriage, these private sector people became what we call in St. Louis our godfathers, and they began to provide for us technical assistance. They loaned us their engineers and their janitors, supervisors to teach our women how to strip, clean, seal.

Again, we wrote a proposal for JTPA funding and trained 45 women of how to strip and clean and maintain their public housing buildings.

Today, Mr. Chairman, this contract we entered into, a contract in 1976, with the single housing authority—today the company has 25 permanent workers.

We now have small contracts with banks and with office buildings, and we maintain the public housing buildings.

I must say that we don't get the contracts because we are black. We don't get the contracts because we are women. We get the contracts because we are good. The floors, you can eat off them. They are immaculate. It is not only a job to our women, it is their community. It is where they live at.

They own a part of it. So, when they clean their buildings, they are not cleaning it because they are going to get a salary. They were cleaning it before there was a salary. They are cleaning the building now because this is their home.

They have a piece of it. Some of the other things we have done is we have been able to establish strong economic development for our community.

We have done joint projects in building new housing. Our tenant management corporation now jointly owns almost 700 units of market rate and section 8 housing.

Again, both of these complexes, we own 100 units, manage 100 of turnkey housing that we were the developers of, 50–50 partners with the private developer.

We sold it back to the housing authority and went back and got the contract to manage the site.

We were able to employ almost 47 of the same young men and women who did the original apartment renovation, Mr. Chairman, who now had 3 years of training.

We were able now to go to the general contractor and subcontractor, because we were the developers and even encourage them to hire these young men and women who are now trained in carpentry, painting, electrician, welding, plastering, and window glazing.

We moved these young men and women on to another complex we decided to construct, new construction which is called Fallon Place in St. Louis. It is 675 units of market rate and section 8 housing existing side by side by three large public housing sites, right up the street from the old Pruitt-Igoe site.

We have been able to successfully not only employ almost 67 hardcore youths who are now apprentices, we placed them on this jobsite now making $15 an hour, not only saving the taxpayers a $25,000 figure they were spending keeping them incarcerated—these young men were working in their community, earning a living, and doing a remarkable job that they can market anywhere.

We were able to build 675 units of quality housing that we, in fact, syndicated. We were able to take the syndication fee and use the fee to put back into Cochran the funds to support our day care programs being cut, the elderly meals programs, Meals on Wheels, after school tutoring, and we have provided much of the void that was reduced through cuts of the economic development we have been able to do.

We are now in the process of setting up our own school that we hope to fund through a cable venture. The city of St. Louis just recently signed their cable contract. The cable people are leery in coming into some of the public housing sites, particularly in installing the cable and disconnecting.

Our tenant management group is now subcontracting with the cable company, and we will do the installation and the disconnecting of the cable, and we will use our own people to do the installation and disconnecting and use the profits to support a private school that we intend to set up for residents in our community.

We are also in the process of developing a small mall that will generate some nine jobs for the residents that live in our community.

We have our own health clinic that is operated and almost funded by our tenant management corporation. We receive very few funds from the Federal Government. We have a dentist, an OBGYN, pediatrician, and the clinic sits right in the public housing site.

We took a first-floor apartment that was burned out and converted it into a health clinic. These are just some.

We have laundromats in each and every building.

I just want to end by saying, Mr. Chairman, that you need—just for the committees to understand Cochran, Cochran Garden is a 6-story—12-story high rise. It is one, two, three, four, five, and six bedrooms.

Cochran Gardens has almost 3,700 people living there—1,900 are children. We were able to take what many people have said was a public housing site that was beyond saving; in fact, people wrote stories about Cochran.

Today I can tell you, not only did we totally rehabilitate this site, not only did we put back into this site supportive programs such as day care and clinic, job opportunities, tutoring programs, and all other kinds of things that a community needs, but we have been able to put back, Mr. Chairman, pride, self-respect, and dignity.

We have been able to give back to people who had lost hope. In public housing, many people, I can very well understand and identify with the homeless beings, because the same type of negative labeling and connotation goes with public housing tenants.

It is the attitude among the out of public that people in public housing are the do-nots, the don't-cares, and I-can't-do, and we-won't-do.

I would like to say to you this morning that we would like the opportunity to control our own destiny just like any other American in this country.

We are not saying that tenant management is the answer for every public housing site. We are saying that we have experienced everybody coming into our community telling us and doing for us. We see the opportunity in tenant management as a way to do for ourselves.

We have been through the 1960's programs, Mr. Chairman, and the 1960's programs, when the moneys were gone we were left with nothing. Our neighborhoods were left without skills or without financial resources.

We are asking you this morning to give us back the opportunity to be able to control our own destiny, and we see through the passing of H.R. 4026 it will do that for the tenants in public housing.

Thank you.

Chairman GONZALEZ. Thank you, Ms. Gilkey, for a most eloquent, impressive statement.

Some of us had been to Pruitt-Igoe. In fact, I had been in Cochran, and the story you tell is essentially what I have known is true since the beginning of public housing.

You had an entirely different social situation for many of our families at that time.

But you hit the nail right on the head. Our biggest problem is how to break through the level of consciousness here in the Congress through to the majority, just the majority, as to what needs to be done, what can be done with a modicum of expenditures.

So, thank you very much.

Reverend Blount.

STATEMENT OF REV. ROBERT BLOUNT, TENANT DIRECTOR, A. HARRY MOORE TENANT MANAGEMENT CORP., JERSEY CITY, NJ

Reverend BLOUNT. Thank you very much.

I am Rev. Robert Blount from Jersey City, NJ.

I want to say first of all we, too, appreciate the opportunity to express ourselves. Of course, Bertha has reached the climax of my time and I appreciate it.

In Jersey City, in 1973, a few concerned tenants had no idea or thought but with joining hands with a mutual agreement between the housing authority and the tenants to work together with no TMC in sight. It was just a group of concerned tenants.

Having a mutual understanding with a desire to improve the condition which existed at the A. Harry Moore project, we then joined the thought in 1974—I believe 1976—with the tenant management demonstration program.

In 1976 we signed a contract with the Jersey City Housing Authority to actually share in the management of the A. Harry Moore project.

Before our taking over or sharing in this concern with the authority, may I just add that at this particular time there were no fights or disagreements between the authorities and the tenants.

It was a mutual agreement that both the executive director, along with his staff, along with the concerned tenant group at Harry Moore who wanted to improve the quality of living and the conditions at the A. Harry Moore project.

We had vacancies at that time, 160 vacancies, vacancies that were considered a drug haven where the drug users went into to shoot up or smock up. Whatever they wanted to do, they did it in those vacant apartments.

They were left unattended, water running down on tenants beneath, and there was a lot of problem which I will not take time to go into all of them today.

We had approximately 25.6 percent delinquency. We had several tenants who had been there for months and some of them practically a year that had not paid rent.

This brought about a great concern, and with tenant management at that particular time we began to work together as a team with the housing authority to do away with the type of deplorable conditions that existed.

Today, may I just report that we have those vacancies down to less than 1 percent. We have the delinquency down to 3 to 5 percent. It varies up and down.

We have the tenants—the tenants have agreed that we have no dogs in the project. The problem that existed because of vacancies and vandalism has dropped tremendously. We were once considered to be the worst crime area in the city of Jersey City.

Today, I can report that we are one of the best areas in the city of Jersey City pertaining to crimes.

I will not go into all the detail, because I would like to give others a chance, but one of the greatest things about tenant management in public housing is that you have the manager on the premises.

You have the office staff on the premises. Whereas, at one time a water line would burst or a fire would break out or someone would break in and enter into someone else's apartment, it would go practically 2 days or at least a day before we were able to get to the main office and get the director or other staff personnel working on that situation.

But when we have staff living on the premises such as the manager, the assistant manager and staff personnel, when a pipe breaks or water line is broken loose or fire breaks out or someone enters an apartment illegally, we are there on hand.

Rather than waiting 2 or more hours or over the weekend before we are able to do something about it, we are there to handle the job immediately.

So, rather than go 24 hours or a day, we can handle the situation within an hour.

By the time the next morning comes the problem has been eliminated and we are able to report to the authorities that we have taken care of that situation.

There are thousands of dollars that are saved, Mr. Chairman, not saved to the point that the Federal Government or HUD can withhold its subsidies; it is saved to the point wherein when a job is done it lasts longer to rehab an apartment or put up new cabinets.

The job lasts longer because you have tenants that are in there, in that development, that are actually concerned about the place they live in and are taking care of their situation.

It is also important to note that in A. Harry Moore we have approximately 1,800 kids. The development itself is 664 apartments with 642 apartments rentable. The other apartment is used for office space and tenant rooms.

With that kind of input into where we live, we are able to save thousands of dollars on the oil bill, because we have tenants—rather than to have the youngsters using bottles or bricks to break out windows, we have an organized recreation program where we can give them a bat and ball so they can enjoy playing and enjoy organized recreation.

We also are very pleased to say, that I have said within myself, I have no statistic to actually back this up, but a tenant that is organized is worth more than $5,000 to the housing development without working, and a tenant that is not organized is a loss of approximately $10,000, because there is no control.

Any development of house people is a development that has a kind of control that is needed in public housing.

We had no idea that the organization in 1973 would bring about the type of concern that had brought about among the bureaucrats, but it has brought about a concern.

I feel that tenants who have the initiative, who are willing to thrust and go out and get into a tenant management corporation, should be given an opportunity with the cooperation of the Public Housing Authority to try to improve the development in which they live.

I am pleased today, because I served in the beginning as a chairman of a tenant board. I was the first chairman. I served until the board asked me to resign and take over management.

We do not have to work with our fist balled up at the director, but we are working together as a unit and not only is A. Harry Moore under tenant management, but we have two other sites in Jersey City that are under tenant management.

We have the Booker T. Washington which is the newest one. We have the Montgomery Gardens under tenant management.

I am not saying that it will work in every housing development, because we did have a site in Jersey City called the Cutter Woods, and it started but never was able to materialize. It did not work.

Therefore, I am not saying it will work in every situation, but I believe that the tenants should have an opportunity to have a great input in their development.

Finally, Mr. Chairman, I would like to say that it takes a dedicated tenant. It is not just to say that we are going to do it because we are tenants. We want to control our destiny. We want to hang the situation around.

It takes a dedicated tenant, because to go to your brother or your sister next door and along with the constable say, we are going to padlock your door because you have not paid your rent, it takes guts. It takes courage.

And may I just add, from 1984—I don't want to go back further than 1984 or you wouldn't believe it—but from 1984 up through February 1986, the windows in my car has been broke seven times. Seven times have I put in a windshield. Seven times have I put in the back windshield, because they thought it was a pleasure to break two at a time.

But because of our dedication, because of the tenant affairs board, tenant management board concern, they were saying you can't quit, and within me, I said, I can't quit.

Why? Because we have seen the change. We have seen the results, and to change a life of living in public housing is enough ministerial concern that you will not quit because of a tragedy of one particular problem.

Finally—I said finally before, but certainly this time, Bertha——

Chairman GONZALEZ. That is all right.

Reverend BLOUNT. Finally, just yesterday I almost missed the plane. There were two young kids—believe me, you will not change them all—8 and 9.

They played hookey from the school, which 90 percent of our youngsters go to the grammar school. They played hookey and had gone out to a Path Mart. They stole a few apples.

They were caught by the police. The police did not take them to the youth house. They brought them to my office, because they were tenants of A. Harry Moore project. They felt that I would be able to do more with those youngsters than they could do with them at the youth bureau.

I was able to scold them, seriously scold them on the problem. One kid ran from the police, ducked under a car, hiding from the police, not knowing that the man was in the car and ready to take off—got hung under the car. And they yelled to the man not to move, and the kid couldn't get out.

They brought him to the office, and I called his parents from work, and they came and we sat down and talked.

What should we do to change this kid? What could we do?

I am pleased to say to you today that we will be meeting again Tuesday with the thought in mind that we must do something, because not just the parents has to be concerned, but because we are tenants, because we are involved, we all are concerned about life in public housing.

I must say that I endorse the bill. Yet at the same time I feel that consideration should be given to both parties, the tenants and the housing authority.

It must be some type of an agreement. How much control do the tenants want? Do we want as much as Bertha has or do we want as much as we can carry on ourselves?

I think that tenant mangement can work and will work in public housing.

Chairman GONZALEZ. Thank you very much, Reverend Blount. I honor you for your work. For a while I was with the Bear County Juvenile Court and was appointed juvenile probation officer right after the war, so I readily understand, except that you are not a juvenile officer, but it is good that somebody like yourself can be there.

So many times I could see that what seemed to be a wayward child, through actually working with him/her could and did turn out to be a very productive member of society.

I am going to recognize Ms. Oakar, our Congresswoman from Ohio, to present our next witness who happens to be from Cleveland.

Ms. **Oakar**. Thank you, Mr. Chairman.

Mr. Chairman, first of all, I want to thank you for having this hearing. It has been very, very inspiring so far, and the best may be yet to come. Bertha and Reverend Blount have done a wonderful job in testifying.

Mr. Chairman, I have the pleasure of introducing the tenant director of Lakeview Terrace Tenant Management in Cleveland, OH, Lena Jackson.

Mr. Chairman, as you know, Cleveland has the oldest public housing in the country. Lakeview Terrace is one of the two oldest but well built public housing structures. Despite all odds against them from a variety of powerful sources, we were able to get tenant management in Lakeview. Already we have seen tremendous progress because of Lena Jackson and other residents taking charge of their own turf. It is an honor to introduce Lena to you. She serves as a role model for many of the things that we want for our people in Cleveland.

STATEMENT OF LENA JACKSON, PRESIDENT, LAKEVIEW TERRACE MANAGEMENT CORP., CLEVELAND, OH

Ms. **Jackson**. Thank you, Hon. Mary Rose Oakar, and to the chairman of this committee and to other congressional leaders here.

First of all, let me just give you a little background about myself. I am a mother of three children, have no husband, and until 12 months ago, had lived on the Lakeview Terrace public housing estate supported by a Social Security check.

Today, I am a corporate officer and also a real estate operator. This transformation followed a 12-month training period under the direction of Ms. Bertha Gilkey.

I am president of the Lakeview Terrace Management Corp. and also I am the chairman of our citywide board which represents about 37,000 tenants in public housing.

Today at Lakeview we have a budget of $1.4 million. We have been able to employ about 55 residents since we took over the estate.

We signed our tenant management contract with the housing authority on November 6, 1985. So today, we have a personal knowledge of the problems that exist in public housing.

I come to you today, Mr. Chairman, to report to you some of the successes, and failures, and to make a strong recommendation of the passage of the bill H.R. 4026.

You are considering legislation that will allow residents of public housing to control their own destiny. The few months we have been able to manage Lakeview Estates, we have seen a change in attitudes at Lakeview.

We have seen a change where the residents have changed from resignation and hopelessness now to ambition and pride. They are very optimistic about their future.

They do join hands with us in saying that together we can do it; we can make Lakeview one of the safest public housing sites in the country.

Prior to our signing this tenant management contract, a couple ladies and I got together back in 1982.

We decided after much debate that we had to do something to save our community. We had to do something to restore the dignity in our community.

When I moved into Lakeview approximately 15 years ago, it was a beautiful place. We had grass. We had flowers. We had playgrounds, and it was safe for our children to come out and play.

After living there we saw many changes. We saw the services from the housing authority begin to dwindle. We saw people moving into our community that was not screened. We had no say-so as to who would come and be our next door neighbor.

So, we saw the crime rate increase. We saw the dopepushers literally coming in and taking control of our community.

Yet, these two ladies and myself knew we could not afford to move out of Lakeview. We could not afford to live anywhere else.

So, we got together one night and went to our councilwoman's house about 11:30 at night, and we told her a few words about our community.

We told her we had elected her and that now we needed her help. We told her we had got very little support from the housing authority.

The housing authority had instructed us to organize, but our goal would just be to pass out flyers and give out the information that they handed down to us. We truly knew that this was not going to help us save our community.

After sitting at the councilwoman's house for about an hour telling her of the conditions, telling her of the problems that we had, she told us that night—she was yawning and very sleepy—she told us that if we truly wanted to save our community that she would help us.

She said that she would recommend to us a lady in St. Louis by the name of Bertha Gilkey to come in and do some training with us, but only if we were sure that the tenant body was ready for the change.

Also, Congresswoman Oakar's office was very instrumental in helping us to get organized, because many times we requested that she or her staffperson come out to our tenant meetings, and they were always there.

We went to St. Louis after Ms. Gilkey came into our site and began to share with us how she was able to save her community at the tenant meeting—and she showed us slides of how beautiful Cochran was. We did not believe that a public housing site could look like that.

We said after seeing the slides: "This isn't true. This is some gimmick. We will have to go to St. Louis and see for ourselves."

So at that time we began to do a fundraiser. Our councilwoman also helped us do a fundraiser, but we were able to take a vanload of tenants to Cochran to see if what we seen on the slides was actually what was happening.

After we got there, we were very amazed. We said, if this is public housing, if they can do it in St. Louis, we can go back to Cleveland, OH, and we can organize, and we can make our site safe and decent.

So at that time we came back and we had a mass meeting with the tenants and we told them exactly what we had seen in St. Louis.

We told them how safe it was. We had carried approximately six seniors to St. Louis with us, and they didn't want to come back. We almost had to just pick them up and put them back on the bus to bring them back to telling them we had work to do at Lakeview Terrace, and we were going to make their senior citizen building as safe as it was in Cochran.

We came back, and we began to organize. We began to meet with the tenants building by building. We began to tell them that they had to clean up the buildings where they were living, that this is going to be a new day at Lakeview.

We began to meet with the drugpushers in our community, because we knew who they were. We took a strong stand, Mr. Chairman, going to their homes and telling them that no longer were we going to tolerate dope being sold in our community. No longer were we going to tolerate our children being allowed to stop by their homes to pick up their dope before they go to school, and we formed a strong coalition.

We were threatened many times by the dopepushers. I have had to move my children out of my home and place them somewhere because of the many threats that I received on my life, and so did my other board members. But we were determined that nothing was going to stop us. We were determined that we were going to restore Lakeview back as it originally was, because that was no longer our temporary home, but that was going to be our permanent home, and we were going to raise our kids there.

We, too, in public housing want the same thing you want for your children. We decided this was a stand we were going to take. So the tenants bought into it little by little. I dare not sit here and tell you we didn't meet many oppositions from the tenants because we were talking about a new day, we were talking about changing their lives and making their conditions better, and many people had just lived over the years like that, and they were very comfortable with it.

But as we began to daily go out into the community and tell the people that we are sitting on prime land here and unless we do something to change our attitudes, unless we do something to upgrade our community, there is a strong factor that we might be bought out, we don't have anywhere to go.

I am happy to report to you today that the tenants are working hand in hand with us. The seniors are very happy that we have taken over. We now have 24-hour security. Prior to us taking over, we hardly had any security, one of our seniors had just been raped in the building prior to us trying to be organized, and now it is a good feeling when the seniors come down in the building and tell us "We no longer have to worry about anyone breaking into our apartment. We can come down in the lobby any time of the night now because we have security sitting at the desk there."

We have also been able to renovate approximately 27 units since we have taken over. We have used our own people that we have hired, our own tenants, to go into these units and renovate them. Not only are they taking pride in them, but now they dare anybody to come and try to vandalize them, because they have had some input into it. And I think it is very important that you understand that when tenants have some input into the operation of their daily lives, then the site becomes more and more secure.

Also, I think it is important that you understand that this was not forced down our tenants' throat, tenant management. The tenants told us as a board that this was the direction that they wanted to go in. And after many negotiating battles with the housing authority, also with our city officials, we were able to negotiate this contract.

I would like to share with you some of our accomplishments since we have been managing. We now have a strong screening committee. This committee is made up of a manager we have hired and also of our senior advisory board and a member from our resident council board. Our screening procedure works very well. We have a point system we grade people on. And today we have not had to turn anyone down that has applied for housing.

We also do a home visit. After the home visit and after the screening, we have an orientation session set up where we bring the new tenants in and where we explain to them the process in which to make your life a very successful one and a good one at Lakeview Terrace. We walk with them through the apartment, we show them how to clean the stove, we show them how to defrost the refrigerator, we show them how to keep a floor clean. We also do not only annual inspections, but we inspect approximately every 3 months our units.

We have hired our own exterminating program, where we go and exterminate the units once a month, as opposed to the housing authority, who exterminated our units every 3 months.

Also, we have been able to reduce the vacancy rate there at Lakeview. Our rent dollars have increased because we do not wait for people to get 2 or 3 months behind in their rent. Immediately after the 10th of the month, anyone who has not paid their rent, we take the manager along with board members, and along with the building captain, we go and have a meeting with that family, and we let them know how important it is that they pay their rent, because them paying their rent also helps us to provide the needed services and equipment that they need in their units.

So they understand that when we are out there that we mean business, and they—the tenants have come to respect the fact. Many times we are just out walking the site to do an inspection of the exterior of the building, and tenants will come up and say: "You don't have to come to my house, I will be there tomorrow and pay our rent." People have gotten the idea to pay their rent dollars. To keep us from coming to their houses now, they begin to call in and make arrangements to pay their rent, and we let them know it has to be a consistent thing, that rent must be paid every month.

Also, one of the other things we have been able to do was that we submitted a proposal to the block grant department. We were funded $10,000 from that, and out of that proposal, we were able to send 20 of our residents to security school, and now this coming Good Friday we will have approximately 18 of those residents graduating from security school that will have their 120 hours, and we are going to phase some of them into our security program.

Also, we have 26 residents now enrolled in a GED class that is being taught onsite there, so the residents know what time of day it is; they see the good things that are happening at Lakeview, and they are beginning to try now to upgrade their skills, and also since the signing of our contract we have been able not only to reach the people at Lakeview, we have been reaching out to help other tenants in public housing.

In my conclusion, I would just like to say to you, Mr. Chairman, and to our own Hon. Mary Oakar, and other elected officials, if you really care about us—and I know you do—if you really want to help us, then today I would ask you let's form a marriage here. You provide us the financial support we need and the technical assistance that we need, and I will also go a step further and ask you to make this bill become a law, H.R. 4026.

Again, I would like to thank you for the opportunity to be heard.

Chairman GONZALEZ. Thank you, Ms. Jackson.

We have scheduled Ms. Mildred Hailey from Boston, MA, but she couldn't be here. So we are very honored to recognize at this time Ms. Viney Reynolds from the B.W. Cooper Tenant Management in New Orleans.

STATEMENT OF VINEY REYNOLDS, B.W. COOPER TENANT MANAGEMENT, NEW ORLEANS, LA

Ms. REYNOLDS. Good morning. Many thanks to you for giving me the opportunity to testify. My name is Viney Reynolds. For the last 8½ years I have managed the B.W. Cooper Development. B.W. Cooper Development was built in 1941 and is located on 56 acres of land.

Tenant management started at B.W. Cooper in 1976. Funds were made available through HUD and the Ford Foundation to demonstrate tenant management in our city. In 1976, B.W. Cooper Tenant Management was considered one of the worst developments in the city. This development consists of 1,550 units and is considered the third largest development in our city.

When tenant management took over in 1976, the project was at its highest, with high vacancies, vandalism, high accounts receivables, maintenance problems, such as heating and electrical work, broken appliances, broken stairwells, and deteriorating hallways, ground maintenance, graffiti, crime, poverty, and social delinquency, and the community spirit was at its lowest.

Tenant management goals were to improve management by reducing the accounts receivables, discover income, and decrease vacancies, and increase resident satisfaction, increase employment by providing jobs through the tenant management program and to provide self-determination. Also, tenant management goal was to provide a sense of communication and also to show the city that tenant management could work.

Today, B.W. Cooper accomplishments are the vacancy rate monthly is zero to 10. The accounts receivables is reduced to 11 to 13 percent, the monthly rent roll increased from $36,000 per month to $139,000 per month, the residents now have input in major decisions pertaining to the development. Quarterly meetings are held with the residents.

Also refrigerators, ranges, new hotwater heaters, and space heaters were installed in all of the apartments. The grounds are cleaned on a daily basis, not only by the tenant management staff but by the residents as well. Garbage is picked up on a daily basis. Maintenance work is performed in the apartments on a daily basis, and also we have a 24-hour emergency line to render services to the residents after working hours. The broken stairwells are replaced. The entire electrical system has been repaired in the development, the community spirit is now at its highest.

B.W. Cooper apartments are fully occupied and all residents are counseled by the board before an eviction. The physical condition of the development is brought up to standards. Today B.W. Cooper is a better place to live. But for this reason we, the tenant management group, are supporting other tenant management groups by affording them the opportunity to participate in tenant management, hopefully through the H.R. 4026 bill.

Thank you.

[The prepared statement of Viney Reynolds follows:]

STATEMENT OF VINEY REYNOLDS
B.W. COOPER TENANT MANAGEMENT

B. W. Cooper Development was built in 1941 and 1956, and is located on 56 acres of land.

Tenant Management started at B. W. Cooper in 1976. Funds were made available through H.U.D. and the Ford Foundation, to demonstrate Tenant Management in our city.

In 1976, B. W. Cooper formerly Calliope was considered one of the worst projects in the city.

The project was at its highest with:

I. High vacancy
II. Vandalism
III. High accounts receivables
IV. Maintenance problems
    A. Heating and electrical
    B. Broken appliances
    C. Broken stair wells and deterorated hallways
    D. Ground maintenance
V. Graffitti
VI. Crime, poverty and social delinquency
VII. And the community spirit was at its lowest.

Tenant Management goals were to:

I. Improve Management by reducing the accounts receivables, discover income and decrease vacancies.
II. Increase resident satisfaction
III. Increasing employment by providing jobs through tenant Management.
IV. Provide self-determination
V. Provide a sense of communication
VI. Show the city that Tenant Management would work.

Today, B. W. Cooper:

I. Vacancy rate monthly is 0 to 10
II. Accounts receivable is 11% to 13%
III. The monthly rent roll increased from $36,408.00 to $139,271.00
IV. The residents have imput in major decisions pertaining to the development.
V. Quarterly meetings are held with the residents.
VI. Many refrigerators, ranges, new hot water heaters, and space heaters were installed in the apartments.
VII. The grounds are cleaned on a daily basis. Garbage is picked up on a four (4) days a week.
VIII. Maintenance work is performed on a daily basis, and an emergency line is available after working hours.
IX. The broken stair wells are repaired
X. The entire electrical system has been replaced.
XI. The community spirit is at its highest.

B. W. Cooper Apartments are fully occupied, and all residents are counselled by the Board before an evicition. The physical condition of the development is brought up to standards. Today, B. W. Cooper is a better place to live.

Chairman GONZALEZ. Thank you very much, Ms. Reynolds.

What did you say was the size of the B.W. Cooper development?

Ms. REYNOLDS. 1,550 apartments.

Chairman GONZALEZ. That is a big one.

We next have Mr. Robert Woodson, who is the president of the National Center for Neighborhood Enterprise here in Washington, DC.

STATEMENT OF ROBERT WOODSON, PRESIDENT, NATIONAL CENTER FOR NEIGHBORHOOD ENTERPRISE, WASHINGTON, DC

Mr. WOODSON. Thank you, Congressman Gonzalez. I would like to join my colleagues to thank you and Representative Fauntroy for your leadership and for the opportunity to present the issue of resident management.

The National Center for Neighborhood Enterprise [NCNE] is an organization founded 5 years ago as an outgrowth of 17 years of personal experience in assisting low-income community organizations around the country to develop self-help strategies. I have written several books and articles on this subject. At NCNE we use our time to assist groups like these who presented testimony.

This is one of the rare occasions for the Congress to hear from people experiencing the problems. Usually issues are represented by people who have a proprietary interest in the continuation of the problem, as opposed to solving the problem. We are very pleased that residents, themselves, have a chance to make presentations.

At NCNE we have worked for the past 5 years to identify resident and tenant management corporations around the country documenting their success, and to bring them together so they can share their experiences with one another. In 1984, the National Center held a national teleconference where the views, opinions, and experiences of these resident leaders were broadcast to 16 sites around the country, and witnessed by hundreds of public housing residents and public and private officials.

In addition, the Amoco Foundation has provided financial support to enable us to provide technical assistance and resident management training. We have contracted with Coopers and Lybrand, an accounting firm, to assist these residents in developing business plans and accounting systems so they can develop a solid management foundation.

NCNE has, in response to our teleconference, received requests from residents around the country who are anxious to learn more about how they can manage their own lives.

The residents are low-income people who desire a better life.

Our studies of resident management across the country show several common factors. They have improved the civil environment and the quality of life by lowering teenage pregnancy and crime rates. Welfare dependency has been reduced because TMC's have started small businesses that employ residents. Rent collections are up, administrative cost and vacancy rates are down.

In the climate of Gramm-Rudman, where budgets are being severely slashed, we must design less expensive, more efficient and effective ways to make use of public dollars. Resident management, in addition improving the quality of life can save taxpayers money. I would like to show you one chart. Kenilworth-Parkside is illustrative of what is going on around the country. Since the residents have taken over, there is a 150 percent rise in rental collections.

Also at Kenilworth-Parkside, the average rent per unit has increased to $150 as compared to only $96 per unit for the rest of the city. The operating expenditures per unit are lower compared to the rest of the city, where it is $269 per unit. The subsidy that the resident management corporation receives is only about $20 per unit, compared to $240 per unit elsewhere in the city.

There is only one category in the period studied where costs at Kenilworth-Parkside had heat and hot water. When it was man- That increase was because for the first time in 3 years residents of Kenilworth Parkside had heat and hot water. When it was managed by the city's administration, residents had no heat and hot water for 3 years. The resident managers restored those services.

I am not going to go much beyond this, because I, too, want to hear what the residents have to say. But NCNE is playing a role as catalyst to bring residents together to take the message of resident management to the Members of the Congress and the public at large.

We plan other teleconferences. We are going to be involved in intensive training of these groups, and we are going to take their positive experiences to the Nation.

Let me say that one of the principles that drives the National Center for Neighborhood Enterprise, and I think is fundamental to the way public policy should operate, is that those experiencing the problem should play a primary role in devising solutions since they have a proprietary interest in what the outcomes are.

Also let me say that many of them will not tell you of the kind of personal sacrifices that they make because of the modesty with which they go about their work. Reverend Blount mentioned his car windows were broken out seven times, we know Bertha Gilkey's life was threatened. We know Lena Jackson's life was threatened. Kimi Gray has had an assault on her vehicle, sugar put in the gas tank of her car and blew up while she was taking students to college.

Yet in the face of these physical threats, the resident leadership persist. They work with the police department in driving drug pushers out of their community.

In conclusion, Mr. Chairman, I believe in an old adage, "You get more of what you reward, and less of what you punish." And what we keep doing among poor people is punishing responsible behavior. If you are delinquent, there is a program for you; if you are a drug addict, there is a program for you; if you are a truant, there is a program for you; if you are mentally ill, there is a program for you; if you are an alcoholic, there is a program for you. If you are responsible, if you want a safe and clean environment, if you go to school, if you obey your parents, if you want a clean and safe environment, there is nothing for you.

And so that we think that support of this bill would send a critical message to the public policy community and to this Nation. The message is that the Congress and this Nation are going to begin to support the self-help efforts of poor people to take control of their lives. This Congress is going to provide the opportunity and that some of the subsidies will go to RMC's to reward residents who are successfully managing their properties to give them an opportunity to benefit from the fruits of their own labor.

Under existing policies, there is absolutely no incentive for residents to do the kind of things that we are hearing this morning. The disincentives are there, yet these residents have done what you have heard this morning in spite of those disincentives.

I think it is time for us to support people's desire for a safe and happy and decent life.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Woodson follows:]

National Center for Neighborhood Enterprise
1367 Connecticut Avenue, N.W., Washington, D.C. 20036 / (202) 331-1103

Testimony Before the House Sub-Committee on Housing and Community Development

Statement of

Robert L. Woodson
President

March 25, 1986

Testimony Prepared for House Sub committee on Housing and Community Development

March 25, 1986 Congressional Hearing

Robert L. Woodson, President
National Center for Neighborhood Enterprise

Chairman Gonzalez and Honorable Members of the Sub-Committee:

I would first like to take this opportunity to commend this subcommittee for taking time to receive firsthand input from low-income resident management groups, who are directly impacted by the effects of federal housing policies.

The National Center for Neighborhood Enterprise (NCNE) is a research and demonstration organization currently conducting a three-year training and technical assistance program for 13 public housing developments nationwide.

NCNE has worked on behalf of resident management of public housing for several years because we believe that it is the most viable alternative to the current crises facing many public housing residents. Last August, the Amoco Foundation awarded us a major grant to build on and promote successful models of resident management as well as provide technical assistance and training to other public housing resident groups wanting to take charge of their lives and revitalize their communities.

In 1984, the National Center conducted its first demonstration and convened a national conference of resident managers from across the country. We subsequently sponsored a nationwide teleconference linking public housing resident groups in 17 sites across the country. Through our demonstration work and analysis of resident management, we have documented the importance of enterprise formation as a means of empowering the poor to seek lasting solutions to recurring community problems.

The resident management groups gathered in Washington this week for an NCNE Public Housing Resident Management Training Conference are grassroots community leaders and public housing residents, who have revolutionized the "art of the possible" with dramatic improvements in the quality of life for public housing residents. In St. Louis, Boston, Jersey City, Cleveland, New Orleans, Louisville, Washington, and other cities across the country, resident management demonstrations since the early 1970's have created a wealth of documented successes in arresting high crime rates, creating jobs and social services, and improving on-site management to the benefit of every American taxpayer.

The Center has identified successful resident managed projects at 12 sites in eight cities; the first of these were the Bromley Heath TMC in Boston and Cochran TMC in St. Louis, which were established as early as 1971. Since that time, interest in organizing new resident managed corporations has spread to over 40 project areas across the country.

In St. Louis, Bertha Gilkey and her resident management group succeeded in transforming a violent community into a beautiful urban neighborhood by employing former gang members in resident owned renovation companies, which refurbished boarded up vacant apartments formerly serving as breeding grounds for drugs and vandalism. Two hundred of 250 vacant apartments were turned over for occupancy in the first year of resident management. In the process, Cochran Tenant Management Corporation has created over 330 new jobs for its residents and most recently won a citywide contract to bring cable television into public housing developments throughout the city. Cochran TMC has also created a national model for low-income housing opportunities by establishing joint ventures that have resulted in construction of 700 new units of housing.

In the Bromley Heath public housing development in Boston, the high incidence of crime prevented department stores from making deliveries to the public housing site. In addition, the telephone company could not enter the premises to service equipment that had been vandalized. Yet, one year after residents began taking charge of their own lives and instituted a resident-run security program, all of the local businesses began to make deliveries, the telephone company's revenues went up, and robberies in the development were reduced 77%. In Jersey City, similar organizing efforts by the residents led to a drastic reduction of on site crime from 3 times the citywide average to well below the citywide average.

To reinforce the gains of resident management efforts, it is critical that Congress develop a policy recognizing these accomplishments while simultaneously removing existing barriers to resident self-help initiatives. In developing such a policy, the public housing residents must be allowed to participate in designing the solutions to their problems. Congressman Walter Fauntroy has met with Kimi Gray and other public housing resident leaders regularly to promote exactly that kind of participation and input.

H.R. 4026 would address the most vital area of concern to resident managers: the issue of fair allocation of subsidy and control over project-based budgeting procedures. Currently, federal regulations and policies subsidize mismanagement of public housing and penalize effective administration.

For example, even though Kenilworth-Parkside Resident Management Corporation has been able to increase rental income by 150% since it was established in 1982, in addition to drastically cutting administrative costs by 60% during the first year of operation, the housing authority retains these savings to subsidize poorly run developments in other parts of the city (Exhibits A and B).

H.R. 4026 would allow resident management corporations to reinvest revenue profits accrued as a result of effective administrative procedures over a minimal three year period. Additionally, the bill would prioritize resident management corporations for comprehensive improvement assistance. We consider these important and necessary incentives to support resident managers in turning over vacated and substandard housing. Resident management corporations would then be able to bring their developments up to code and create new social services, day care, youth programs, and other economic ventures on site through their cost effective management practices.

Bureaucratic red tape has often hindered resident management groups from excercising true economic freedom. For example, the efforts of Kenilworth-Parkside to establish a joint venture in construction and renovation of low-income housing was inhibited by a HUD rule barring the resident corporation from doing so. H.R. 4026 would also address this problem by permitting waiver of unnecessary regulations by the HUD Secretary only after approval from a democratically elected resident management board at a given public housing project within the framework of local city code regulations.

While it is notable that the U.S. Department of Housing and Urban Developrent has recently released new regulations recognizing the existing resident managed projects, none of the positive initiatives proposed in the Fauntroy bill are included in the proposed administration rule. Additionally, the HUD rule would not allow resident management groups to reinvest revenue savings in greater social services, creation of new enterprises, or construction of new low income housing as provided for in the Fauntroy bill. We consider these provisions mandatory for promoting true freedom of opportunity for the residents of public housing while ensuring adequate federal support to help guarantee success.

In conclusion, Mr. Chairman, I believe that the demonstrated successes in resident management over the past two decades warrant strong congressional leadership to reinforce the gains of existing resident management groups and to further open the doors of opportunity for new resident organizing efforts.

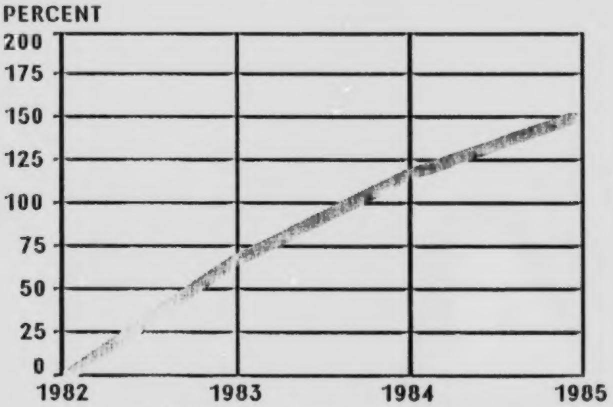
In addition to the established resident management groups providing testimony here today, representatives of 24 resident councils from New York have chartered a special trip to this hearing to express their support of resident management. Also represented here today are Indian leaders of public housing sites from Colorado, as well as Appalachian community leadership from public housing in Kentucky.

I am appreciative of the fact that you have created this forum here today to receive oral and written testimony from these groups for the Sub-Committee's record.

Exhibit A

KENILWORTH-PARKSIDE RMC

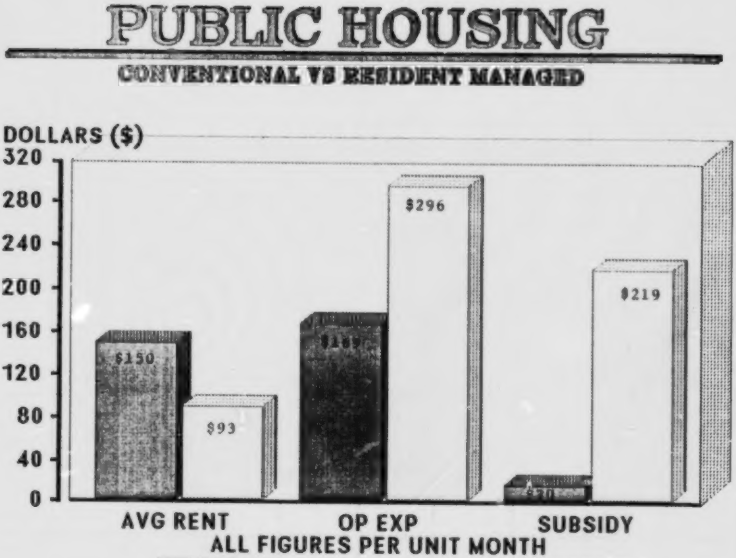
RENTAL INCOME INCREASE OVER TIME



ALL FIGURES PER UNIT MONTH

SOURCE: AMERICAN ENTERPRISE INSTITUTE/KPRMC

Exhibit B



TOTAL SAVINGS SINCE 1982 $3.2 MILLION (KPRMC BEGAN 1982)

SOURCE: KPRMC and District of Columbia FY86 Budget

Chairman **Gonzalez**. Thank you very much.

Mr. Fauntroy had been here, and I think he had wanted very much to introduce Ms. Gray. If he does come back, we will recognize him at the time, but in the meantime, we are going to go on and recognize Ms. Kimi Gray. Welcome again, and thank you very much again, Kimi.

STATEMENT OF KIMI GRAY, CHAIRPERSON, KENILWORTH-PARKSIDE RESIDENT MANAGEMENT CORP., WASHINGTON, DC

Ms. **Gray**. Thank you very much, Congressman Gonzalez, and all of your colleagues.

First of all, I want to say again I am thankful for the opportunity to come before you today and especially today, because we are talking about a bill, H.R. 4026, that we believe as resident management corporations, and I am the only resident management corporation here today, we believe is a key to our success.

I have told you on different occasions, the committee before, of successes Kenilworth-Parkside has had. At one time I claimed to be the youngest, now Lena has taken on that title, but I do believe that Kenilworth-Parkside has lobbied for the entire country.

I also want to recognize Mildred Hailey, the pioneer of resident management, for the outstanding services she has given all of us and the leadership provided. "College Here We Come" was the group with our community to have the audacity to dream of turning around a community such as Kenilworth-Parkside. We were labeled the worst in this city. We were across the river, not just across the tracks, and we were a forgotten part of this city.

In 1974, we began "College Here We Come." In 1975, we sent 17 of those students away. The same year HUD brought a program to us called MIP, which was supposed to upgrade Kenilworth-Parkside. From 1975 to 1979, our property slowly deteriorated right before our eyes. The council I chaired constantly was raising cain with the administrative staff of housing, also the property management firm. No, no help at all came to us.

As Mr. Woodson stated earlier, continuously for 3 years we were without heat and hot water, roofs were caving in. Let us not think the only time residents can manage or restore property is when there are worse conditions. Let's look at some property in good conditions and let residents manage them also and keep them that way.

We are also concerned about the budgets, the Federal and local government, when it comes to maintaining public housing, because DC is one of the cities that put city funds into maintaining public housing properties. In 1979, nine of my students had graduated from college, they had come back, and with them working with me, we had begun on educating our residents politically. In 1979, we all got together and we made sure Marion Barry was elected, and our first request was the residents of Kenilworth-Parkside be granted an opportunity to control their own destiny.

In 1982, after training, we signed our first contract with DACD to manage. In that time we had 4,000 windows broken out, we had about 50 some vacancies. Kenilworth-Parkside consists of 464 units. The crime was so high, police would not come into the community.

That has all changed. For now in 1986, we are known as the best public housing managed property in the city of Washington, DC, and we are still not satisfied because our goal is to become the best in the country because we intend to set a role for everybody to follow.

During the time that we have managed, we have reduced the vandalism, we have reduced unemployment and provided people jobs who thought they had no other faith in life but unemployment or either public welfare. When we took over, 85 percent of our residents were receiving public welfare. That has been reduced to 35 percent, and we are constantly reducing it. We reduced vandalism, we increased rent collection.

What we did more so than anything, we created economic development, something that doesn't take place in public housing. The residents of Kenilworth-Parkside changed standards both socially and economically. Our major concern was our teenage pregnancy. From "College Here We Come" we provided our students a different direction. We managed our recreational program, we have taken over a total community. We have had a working relationship with the city housing authority. It has been up and down from different directives.

Let me be very honest about that. We have Nellie Penney, who I know you are familiar with, who is very supportive of resident management. She comes to our property, attends our meetings. For the first time we see the light at the end of the tunnel, and we also know things are changing not just for Kenilworth-Parkside but for the tone we are setting for this city. Our residents are also reaping the benefits because now they have a role to follow. They want economic development. They are creating programs on their properties, they know there can be a change.

We have also gone back to the mayor. He has put moneys into our operating budget citywide so we can create additional training. If H.R. 4026 is passed, Mr. Chairman, then there is no end to what residents can do to better their own conditions. We are tired of depending on other people. It is a myth around the country low-income residents want to be unemployed, they want welfare, they want to tear up. That is not so. We are the same as anyone else, we have dreams, we have visions, we have ambitions. If given an opportunity, we will show you that, and this bill provides that opportunity.

As I have worked with my Congressman Fauntroy, as I have worked with your committee chairman and talked to my mayor, you know if you support this bill and see to it that it is passed, I know there will be a change in public housing, and no one will have to condemn the people that live on public housing properties.

I have met with Secretary Pierce and let him know also this is an answer to our success. It will not only help residents of public housing, but it will help Congress to determine that money is being spent fruitfully instead of wastefully. Because resident management does not only think of brick and mortar as HUD does now, but we think of individuals. We know if we don't reprogram the people and upgrade them, you can put all the new windows, doors, roofs, and refrigerators you want in those units, it is the people that matter.

Once we educate our people, reprogram their different habits, take away their dependency, make them independent, restore pride, then we change our communities. And the truth is in the pudding, you know that. Reverend Blount has said that.

Again, I invite you out to see Kenilworth. We are fortunate now, we have $13.2 million to rehab. We have signed our roofing contract, and the roofing starts the first of April. We have just come into a management construction contract, and that begins the end of April. We are at the turn now and are ready for the turn.

One time King said he wouldn't be here to see the finish of it. I am thankful I will be here, and I feel we have only just begun. With this bill, there is no telling how far we will go. This bill will help not only the present resident management but those who have a desire to go into resident management because they agree with us, as they have come to visit our properties from around the country, resident management is one of the most fruitful alternatives to saving and upgrading and bettering public housing.

Thank you very much.

Chairman Gonzalez. Thank you once again, Ms. Gray.

I have taken the opportunity, I have visited every conventional public housing activity in this District of Columbia, some officially, some unofficially. Not too far from here, for example, across the expressway, the housing project there and the surrounding housing shows what a continuing problem this district has. And we are asking people to live in unsupportable conditions, conditions that sooner or later will erupt into social problems. I don't have to tell you that, though.

So, you know Kenilworth is like a beacon light, and yet in the core of the city is where we really really would like to communicate the spirit and self-help approach.

I had a couple of questions. I wonder if each of you could give me examples of Federal regulations that unnecessarily cause increases in costs and restrict the income that should not apply to tenant management corporations. In other words, I want to know at this point just what it is that you confront that is an obstacle or a problem in the existing practices and regulations.

Ms. Gray. I have two things. I have a dire need that we must address. First we are talking about the ceiling rents. When one resident management began to manage our properties, we increased employment, and what happens is that we usually work our residents out of public housing which changes the stabilization of our committee. There are no flat rate rents, no more ceiling rents because of the Proxmire bill where we took 30 percent.

The next thing nobody wants to talk about is the Davis-Bacon wages. It costs us out. We hire residents at a wage that they come in, a beginning wage, and we work them up. Because of the Davis-Bacon wages or the wages that are supposed to be paid for certain skills, it increases our budget to the point that we cannot afford to pay those wages, and we need to address that, not just for construction, but for day-to-day operation.

Our residents understand that they are to be paid according to services rendered, like anyone in private business, and that doesn't take place. Those are two things we are really concerned about.

Chairman Gonzalez. Yes, Ms. Gilkey.

Ms. GILKEY. I would like to address four real concerns we have constantly struggled with over the 12 years we have been managing.

First of all, I want to follow up on one of Kimi's points of 30-percent rent. Our problem is similar but somewhat different. We have worked, Mr. Chairman, and the honorable colleagues, for the last 12 years to teach people how to become independent, not dependent. We have worked with all kinds of programs, CETA, JPTA, OEO, every program you want to name, training program, we have it in our communities.

Finally, we move people up, we give people skills, they go out and they are able to market themselves and find a job. Then they come back home, and what are they faced with? Of their income 30 percent automatically becomes rent. So you punish people for doing better. These are working poor people. You have to some way or the other, you have to make it as attractive to get off of welfare as it is to stay on. People who get a job, finally get a decent job, automatically lose their welfare benefits, automatically lose their Medicare, automatically lose their food stamps; and automatically their rents are increased.

So they say "Why should I work? I will stay at home, get welfare, get the food stamps and everything else, my rent will only be minimum." There is no incentive under the current legislation for people to get off. Again, we have to make it as attractive, Mr. Chairman, to get off of welfare as it is to stay on. Now more people are being penalized for working.

The other point I want to make is the linkage with other programs. Many of us, again as Kimi said, we don't look at public housing just in brick and mortar. We are holistic people. We look at public housing as a community. Many of our public housing sites are as large as cities. In fact, in New York, I am working with public housing sites, New York has 800,000 people living in public housing. My city in St. Louis is only 450,000. So those are the kinds of numbers we are looking at.

Many of the programs that are funded, like Human Health and Services, assume the various labor programs, some way or another those programs—Small Business Administration—if those programs some way could be tied into each of the stuff we are already doing, we are doing housing, but we go out and do economic development. In our community alone, we provide almost 250 residents. But tap into the Department of Aging, because we feed almost 900 people a day.

But much of those programs are funded through various agencies that we have to get into, that have already directed their funding to other groups. If there is some way the existing programs can be linked into the tenant management programs so we can provide the supportive services for our tenants, we don't have to go out on our own and battle with other agencies to bring those programs into our communities. If we could some way tie the legislation in where the tenant management groups are able to utilize these existing programs, that not only will provide services, but also will create jobs for the people who live there.

One of my other concerns is CIAP: the comprehensive improvement assistance program. That program, in my opinion, is terribly used. In St. Louis, we have $27 million to totally rehab Cochran after years and years of fighting. The sad and unfortunate thing is that the units end up costing $42,000 to rehab. In fact, they should have only cost $22,000. The reason why the units end up doubling is because the housing authorities got the money, put it in the bank and got the interest off of the money and just sit on it, so as a result, when they finally got ready to do the rehabbing of Cochran, the cost of construction, labor and everything had doubled.

The other thing I want the committee to bear in mind, I am not pointing any fingers today, I am only simply saying we understand that the Gramm-Rudman is here, and we want to make sure we get the best use of the money. That has always been our philosophy and our concept. But I have also found, and I train groups all over the country, the housing authority does two things. Within their existing operating budget, they have a position, let's say a maintenance supervisor, then you look into the CIAP budget that they have submitted, that same person is in that budget but they are calling it another name. They may call them a program administrator, and they have got them 100 percent in the operating budget and 100 percent in the CIAP.

So as a result, you will find the housing authorities usually take 20 percent off the top of the CIAP funds that come in. So the project that is being funded never gets completed because you always are just $1 million short, just $2 million short. And when you track it, Mr. Chairman, that million or 2 million is being used as administrative costs and you are paying for the same body over and over again.

My recommendation, as it relates to that legislation, is to allow the tenant management groups to get the money, the money comes directly to the tenant management groups, where we can, in fact, not only monitor and make sure we got quality contractors, so we don't have shoddy work, but also create jobs where the tenants begin to participate in the construction work, as well as to make sure that the moneys are spent on a timely basis and you get returns for the dollars and you are not paying for the same windows ten times, Mr. Chairman.

Last is the subsidy and the rent dollars, back to the TMCS. The current legislation does not allow—we go out—I don't mean this negatively, I just wanted to say this. I hope it is not taken like that. But we feel almost like the pimps, you know, the other parties, the pimp—and you know what, we are right—we go out and collect all the rent, we bust our butts to bring the rents in, we bust our butts to run the drugpushers out, we bust our butts to sit with our people and teach them how to maintain their units through good housekeeping standards and turn the units around once they are vacated. We do all of this.

When we bring the additional revenue in, we don't see it. The housing authority takes the money. In St. Louis, we get a very small management fee, and we are only paid for occupied units even though they are paid for unoccupied units. The Federal Government is paying them for unoccupied units, but when they dole the money out to us, they only pay us for occupied units. They take all the additional rents that we have been able to collect, and we bring the rent collections up, and we fill up all the vacancies, and we increase the rent rolls because people are now working, we don't see the dollars. The dollars go back not to another public housing site to help them out, but it goes back to the administrative staff costs.

And I just simply want to say that there has to be some way for this legislation to at least create equality. If we are, in fact, the ones who go out and take all the public housing sites the housing authority has literally written off as beyond saving, as troubled, and all the other terms they give them and we take them and make them work, then at least, in any other private business, our groups will be written up in the Time magazine based on what we have been able to do. But nobody talks about what we have been able to do.

I consider it an honor to be able to sit here today and tell you what we have done and our experiences, and I would plead with this body to assist us in looking, seriously looking at the legislation that we have talked about, me and Kimi have talked about so far, to give us the opportunity to truly make the taxpayer dollar work.

Chairman GONZALEZ. Reverend Blount.

Reverend BLOUNT. Thank you, Mr. Chairman.

I agree with Kimi and Viney, and I also think the housing authorities that have tenant management groups working that have successfully done a job should be evaluated by the administration, and the CIAP moneys—we should not be penalized for the authorities which are not working with the tenant cooperative management 100 percent.

I also agree with the 30-percent increase in the rents because it does sometimes hamper the tenants who have gone out to get better jobs and are making a much better income. It doesn't encourage them to even seek employment because of the 30-percent increase in their rent.

Thank you.

Chairman GONZALEZ. Thank you.

Ms. Jackson.

Ms. JACKSON. Mr. Chairman, I too agree with what all three of my colleagues have said about the Federal regulation being looked at or changed. I just would like to say at Lakeview we were awarded $4.7 million through the CIAP fund to provide a new heating system. We were told we would be able to get new windows and a new roof and doors for our site. With the legislation as is the housing authority is allowed to take off a huge amount for administration cost and we are told we hardly have any money left for windows, doors, and roof as we had originally planned.

So that I would strongly recommend that you look at and let's see if we can't cut out that administrative high cost so the people in public housing will be able to benefit from the money that has been allocated for them. I recommend you do that by looking at this bill, which would allow that money to come directly to the tenant group.

Chairman GONZALEZ. Thank you. Ms. Reynolds.

Ms. REYNOLDS. Mr. Chairman, I agree with the rest of the panel members, especially concerning the 30 percent. A good example of that is, according to our lease, rent increases the first of the following month once a resident is employed, and many times I find residents' rents are higher and they have not received the income, so, yes, the 30 percent is a problem.

Chairman Gonzalez. Mr. Woodson.

Mr. Woodson. I can't add very much to what they have said, but I wanted to ask Kimi, I know in working with you, we had some problems in the joint venture arrangement. Are there limitations on that, Kimi?

Ms. Gray. Yes. Under the Federal regulations, each region, there is a percentage a construction management [CM] firm should receive in overseeing or managing construction or rehab of a public housing property. We found that when we joined a venture with our projects, ours was the lowest in the country. It is usually based on the amount of moneys you received, it is a percentage of that. They reduced ours, or attempted to, by about 2 or 3 percent, which was unheard of in the entire country. Those need to be monitored.

If the CIAP funds could come directly to the resident management corporation, I think a lot of those problems would be eliminated. That is why I focus on the flat ceiling rent and Davis-Bacon. Because those things are our major problems. If we could eliminate those two, we will be able to jump hurdles.

Chairman Gonzalez. Of course, some of these suggestions or recommendations transcend the housing limitations of the strictly speaking housing legislation. And, also, if the changes you are suggesting for tenant managers are brought about, then why wouldn't the same thing be done on behalf of the professional managers?

Ms. Gray. Excuse me, I think you have made a mistake. We are professional managers.

Chairman Gonzalez. You know what I mean? I am not saying you are not professional. I am talking about——

Ms. Gray. Private management firms that manage for profit?

Chairman Gonzalez. No, not necessarily. But the institutionalized administration of your authorities.

Ms. Gray. Let me say this to you, Mr. Chairman——

Chairman Gonzalez. They are subject to the same limitations and rules.

Ms. Gray. I don't question that. I encourage it. What we encourage will benefit the rest of public housing and upgrade the communities that have totally deteriorated. We are not talking about a different set of standards. We receive contracts not because we are poor, because we are black, because we are in public housing, but because we are good and we want to be recognized as such. We don't want no separate scales for us to say because they are residents, they should only—we are going to be nice to them and give them these. We want to be able to go into the marketplace and compete.

We are not just talking about public housing management because some of us have gone into managing private apartments also. We are familiar with the marketplace when it comes to real estate. We don't want any exceptions. We just want what is right for residents of public housing.

Ms. Gilkey. I would like to add, again I totally agree with Kimi. Whenever we go and negotiate a contract, we specifically don't want a watered down contract, we want the same indicators put on us they would put on any private management group because we are professional managers. The difference between us and a "for profit" is that the profits that we make go back into our communities to support the various programs and job incentive programs for our tenants, whereas in a private management firm, they take their dollars, put them in their pockets and go home.

Chairman GONZALEZ. I think that you had made at the very beginning the most telling point, in answer to the question I had. When I speak of, in effect what is suggested here is exemptions in the law for tenant managers—what I am saying is that that would be the only way that—say Davis-Bacon would have to have specific exemptions to the operation of Davis-Bacon in this particular case, and the reason I was asking the question was, well, the institutional housing authority management is subject to Davis-Bacon so that I guess you would be advocating an abolition of Davis-Bacon and not just necessarily an exemption.

Mr. WOODSON. I think the prevailing wage rates, the Davis-Bacon prevailing wage rates have the same impact. We all recognize that is what the tax laws are all about. Tax laws give certain exemptions to certain groups, as opposed to certain others because we obviously want to reward certain kinds of behavior and not others.

We are interested in outcomes and consequences. Public housing under the existing traditional arrangement has not worked in some cases. So if these residents have demonstrated they can turn these conditions around, yes, we are asking for exceptions and special conditions for resident managed properties, and if they work effectively, they ought to be expanded.

Let me just say when we went to the Denver Housing Authority in response to some residents' requests, we were met with resistance and mild hostility. But when they came to Kenilworth, the housing authority administrators found what conditions could be like in public housing, and they agreed with us that some of the existing rules and regulations can punish responsible housing authorities as it punishes responsible residents. So we really are talking about is if a private management group can produce the kind of results residents have, they should be given the same incentives to produce. I doubt if many of them could do so. In other words, we are talking about a standard.

Chairman GONZALEZ. I understand. I am going to conclude with the $64 question. Even though some of the witnesses here have really answered it, if not totally, partially. If you have been successful, as you obviously have been, why is this proposed legislation necessary while we have these success stories working under present current law? Some of you have answered, but I thought I would ask the question for the record anyway to see if we could elicit some more specific reasons in favor of, and the author of the bill is here, so maybe we ought to recognize him.

Mr. FAUNTROY. Yes. Mr. Chairman, let me thank you for recognizing me again, and I want to apologize to the panel. I have simultaneous hearings going on in Banking and in the District Committee. The District Committee hearing is going on with respect to the Metro system for the District of Columbia and the fact the Federal Government is disposed not to meet its commitment to allow us to build the complete system through Anacostia and the green line through the inner city of the District of Columbia.

I was commenting there that I had to leave them to come back to the tenants who have kept their commitments and want the Federal Government to release them to do more. And on that point, I must admit, Mr. Chairman, I had some concerns about the minimum wage condition, but we included it in the bill because when you think of it, this is a request to waive that prevailing wage requirement for tenants who have decided that they are going to do some of their own work. I would not want to have to pay my son a plumber's wage for tightening the spigot simply because he is going to run that water, he is going to try that water from that spigot and he ought to be willing to be paid a less-than-prevailing wage, and he will.

But what we are saying is that since tenants——

Chairman Gonzalez. He might go on strike, though.

Mr. Fauntroy. If he goes on strike, he can leave the project. While I agree we should consider this waiver because tenants would welcome the opportunity to make the wage of a manager, should they have that privilege, as these tenants have, and recognize that they will benefit from the wage levels that they would accept.

So I have had some concerns about it. I have talked to some of our people in the labor movement in the Washington area, and they seem to understand that. Because they are accustomed to doing it themselves and do not want to have to pay their sons and daughters.

Mr. Bartlett. Will the gentleman yield?

I apologize for breaking in. I have an 11 o'clock appointment and hope the panel will still be here. I want to say I very strongly commend Chairman Fauntroy for his good legislation. It takes the viewpoint that the residents in public housing are not only the problem, they are indeed part of the solution. We are discovering that.

Mr. Fauntroy. Mr. Chairman, I would just like to point out that is one of the restrictions, one of the impediments that could be removed that would free public housing tenants to manage even more efficiently and productively.

Chairman Gonzalez. Well, Mr. Chairman, also I will ask you to yield at this point.

Mr. Fauntroy. I would be happy to.

Chairman Gonzalez. You know, I think the total problem confronting those of us who are committed to the fact that the Federal Government does have a responsibility to provide shelter for all Americans, poor and the like, public housing is the only program for the poor, to shelter the poor that we have or ever have had, and there is none other in sight.

It is fine, you know, but every one of you is bringing your activities on a constructed site. In the meanwhile, and I wish my distinguished colleague from Texas had remained here, Mr. Bartlett, but our problem is to have some responses to the need to meet the growing demands for housing which our country is still a growing country, and has those needs desperately.

But, however, where not too long ago we had on an annual basis new construction of public housing 200,000 units, in the last 2 years, this administration, supported strongly by my colleague that just left, have provided zilch. Nothing.

Mr. FAUNTROY. That is right.

Chairman GONZALEZ. No new construction. So if we are talking about enlarging or exempting the rent limitations to allow those that have emerged in a working status to remain in public housing we are depriving an otherwise eligible poor, nonworking person to enter public housing while we have a reduced and constantly reducing housing stock for the poor.

We are not talking about anybody else but the poor. So I think you ought to see the picture here.

Ms. GRAY. We do, Mr. Chairman.

Chairman GONZALEZ. I am delighted to get a commitment from my colleague, because this does provide for an authorization and obviously an appropriation and it will be—I want to congratulate my colleague because it will be the first time I see him voting affirmatively for a new appropriation.

Mr. WOODSON. Mr. Chairman——

Chairman GONZALEZ. I think we ought to face the facts, and the challenge we have here if we want to successfully guide the bill that Mr. Fauntroy has presented to us.

Mr. WOODSON. Mr. Chairman, we certainly share your concern about housing for the poor, but let me just say also that we do have 70,000 units of public housing that are vacant.

Chairman GONZALEZ. Right.

Mr. WOODSON. Which should be brought into line. Mr. Chairman, you can understand that it may be difficult to get some Congressman to vote for new construction when we have 70,000 vacant public housing units for which cities receive subsidies as if those units were occupied. There is a perverse incentive to bring the units back into line. It seems to me the first priority ought to be to bring the vacant units back to provide for housing for the poor.

Our studies show that where there is resident management more poor people are housed. We are assisting Ms. Kimi Gray and the residents of Kenilworth, to obtain deteriorated, abandoned private properties and recondition and manage them to provide additional housing.

These units can be made available for sale to residents who want to leave public housing but remain in the community.

We see our efforts as a catalyst for the revitalization of low-income communities and therefore we support efforts which would expand the number of available housing for the poor.

Chairman GONZALEZ. Every new program that has been advanced and approved by the Congress such as turn-key housing, the block grant approach, and the section 8 and all of that, were all offered as substitutes for public housing, meaning the conventional public housing, the average citizen thinks of that when he sees the compound over here known as the housing project.

However, the shelter needs—no nation has provided any kind of program unless there was first a national commitment.

Mr. WOODSON. I agree with that.

Chairman GONZALEZ. What I want to point out to you is that this administration and the Secretary of HUD has come before us, he has gone before public groups and has said there is no such commitment, there is no such thing as a responsibility on the Federal level for the Federal Government to provide shelter for anybody.

Now, what I am saying to you is that with this stark reality confronting us, let's face it, we got a real problem in meeting what hearings such as this and hearings this subcommittee has had over the last 5 years from the Eastern Shore to California to Minnesota to Texas amply demonstrates, we know there is a tremendous need growing out there every day.

We also know that, be that what it may be called, the only thing we have by way of a housing program for the poor are these programs. When we speak of housing for the poor, we are speaking about a commitment that was met only by the acceptance by the Government of a responsibility because private enterprise has not provided any housing for the poor and by the very nature of it, we don't expect it.

After 40 years the private housing sector accepted public housing but it was fought bitterly. In my city, we had violence in the beginning. I worked for the public housing authority of San Antonio when we had the $26½ million expansion program between 1950 and 1953. I was assistant director in charge of lands acquisition and family relocation.

So I think I have seen and I know and I have lived it, lived with the people and anybody where it is a Secretary of HUD or a President or a Member of Congress, once he really gets to know the people and sees the people—you know that, Mr. Woodson—all you have to do is just meet them, rub elbows a little bit. Then we know the inherent goodness that made it possible for the success stories we have heard is understandable.

I know what you have gone through. Let me tell you. When somebody here foreign to the environment hears you talk about how you received threats, you know, nothing can demonstrate the awesome terror until he or she has faced that kind of threat.

Mr. **Woodson**. That is right.

Chairman **Gonzalez**. We saw that in the very beginning in the city of San Antonio. We had a struggle and we had to literally fight to get the first housing projects back in the late 1930's and early 1940's.

So I am just asking the questions that I asked, not in contradiction, but to elicit your arguments to what I know we are going to get when we have some consideration.

It is my intention, of course, to pursue this bill and then let the majority work their will.

Thank you.

Ms. **Gray**. Mr. Chairman, if I may, one thing I think that is different with resident management, there is a regular public housing management, is that you are right, turn-key has been a farce. Few keys have actually been turned over to residents.

We concur 100 percent but that is because nobody made the invested interest into the people to prepare them. It has to be different.

Don't let me mislead you to believe that once we upgrade our community and see flat rents that the residents will stay within the community. That is not so.

When we created our program and sent our students around this country, it is so they could be exposed to different areas. Some of them have relocated and came back and got their parents who we had upgraded, and they are ready to move up and out so they can make room for others to move in and up and out also.

However, there are some because of the academic background will be on fixed income and we want them to continue to have decent and safe housing. But we are going to the private sector and renovating private units so we can move some of our residents up and out.

Chairman GONZALEZ. Very good.

Ms. GRAY. We understand the shortage of public housing, in DC, we have 13,000 persons on the list. I am chairman of the State of our housing board, also. So we are working to create more housing for the low-income residents.

That is one of the goals to resident management, to focus not only on the site we reside in and abroad, but how far we can take our residents.

Mr. WOODSON. Let me add a footnote to what Kimi is saying, and that is that we are aware of developments around the country. If you were to build public housing in some communities, I guarantee you without change and restoration of the dignity of people they would be in poor condition right away, so the issue is not just supply.

The issue is creating a new environment so if new housing is built, it will remain in good condition to meet long-term needs of people. Our strategy is to first take the necessary steps to bring those 70,000 plus units back on line and we think that the only group that has demonstrated they can do that is resident management. That is strategy one.

Second, Mr. Chairman, the Council for Black Economic Agenda has taken this message to the President of the United States and we to Jim Miller at OMB. We are trying to make housing for the poor and the restoration of low-income communities a priority for both parties since the poor have suffered under both Democratic and Republican administrations.

We think that it can be restored with the kind of bipartisan support that we have received.

Let me take this opportunity, Mr. Chairman, to commend you and Representative Fauntroy for your statesmanlike treatment of this issue, and Mrs. Oakar for the strong advocacy she has given to this issue around the country.

Chairman GONZALEZ. Thank you very much.

Ms. GILKEY. Mr. Chairman, I would like to make a final note. You asked a question for those of you that have made tenant management work. Why is this important?

Let me just say to you, and use just dealing with financial, OK, in St. Louis, MO, Cochran, which was a forgotten public housing site, everybody had given it up, said, Blow it up, the housing authority gets almost $2 million a year, that is with rents and subsidies. The housing authority paid our tenant management group back in 1976 when we took it over and it was half empty, dope infested, crime infested, doomed to go under. It paid us $6.20 per unit to manage.

In 1986, Cochran now is nationally known for its success and its changes. We now get paid $9.20 per unit.

Now, tell me the justice in that. On the other hand, a private for-profit contractor, management contractor, comes in, the housing authority paid them $64 per unit to manage an elderly building. We manage multifamily, Mr. Chairman. That is what I am talking about.

Chairman GONZALEZ. Mr. Fauntroy.

Mr. FAUNTROY. No. No, thank you. I was going to say something I couldn't quote on the record.

Chairman GONZALEZ. Mrs. Oakar.

Ms. OAKAR. Thank you, Mr. Chairman.

The only bright light in Cleveland's public housing, is the tenant management program at Lakeview. I am so frustrated with our Cleveland situation and the mismanagement of funds identified by the inspector general. If it were up to me we would do this all over and scrap this administration and give it back to the people.

I do want to say something to Mr. Woodson. You can talk about bipartisanship and I love to talk about bipartisanship, but the truth of it is we would not have a National Public Housing Program if we had to depend on that.

Look at OMB. You mentioned Mr. Miller, and the President, and HUD and when you see the opposition to the ceiling rents, deductions for child care and health expenses, Bertha, you were talking about that the production, and gutting just about every program, it is our chairman, and this committee, that has saved public housing period.

I don't want to be responsible for contributing to that myth that the President supports poor people, particularly in the housing area because that really isn't true at all in my judgment.

However, there is a tremendous problem in the management of public housing across the country and in some areas, it is great and others areas it is terrible. In our area, it happens to be awful with a few exceptions.

Reverend Blount, I want to ask you a question. You went from being a resident and chairman of the resident board to the manager. Do you still get to live there under those circumstances?

I am assuming you should get paid for managing it. Do you get to live there?

Reverend BLOUNT. I like the last thing you said most of all, get paid. But, yes, I live there. I am a tenant. I am maybe 25 steps away from my office. I live there in public housing.

Ms. OAKAR. I think it is important to live there.

Reverend BLOUNT. It would be almost impossible to do the things that we have done except you live on the premise. You have to stay there.

Ms. OAKAR. I really agree with that. Bertha, let me ask you, since you are a national figure now, and all of you really are, how do you work that out? In other words—and I want to zero in on my own constituent that I am very proud of in a second—but how do you hire people?

Lena was talking about how we hired tenants to do repair. That was tremendously resisted. We had to make about 25 phone calls for that one alone. But there was a tremendous resistance to paying the people who lived there to do the work.

Ms. **Gilkey**. Yes.

Ms. **Oakar**. But how do you reconcile the poverty level. Do we ever go over the poverty level so that you don't qualify for public housing? How do you do that?

Ms. **Gilkey**. Hon. Congresswoman Oakar, whom I truly love, and that is sincere, let me say this to you, that that is a major problem.

Let me tell you what we are really talking about, what we are talking about are numbers. The costs that this Congress gets from the housing authorities—I am not beating up on them, please believe me—if you do the numbers, it does not cost 30 percent of your income to live in public housing. But if you got a high administrative cost like most of the PHA's do——

Ms. **Oakar**. Like Cleveland.

Ms. **Gilkey**. Yes; then you add that with whatever you do on the local site and that increases the unit cost, but if you really add the cost of the manager, staff, et cetera, for example, Congresswoman, in Lakeview there was 9,000 housing authority staff people employed maintaining Lakeview when Lakeview Terrace resident management took over. They were getting paid almost $190,000.

A caretaker, who picks up the paper off the ground, was getting paid $27,000 a year. That did not include fringes. We took 9 salaries and we put 55 tenants to work with the same amount of money, with fringes.

So what I am saying——

Ms. **Oakar**. They did twice as good a job, I am sure.

Ms. **Gilkey**. Yes; and you know that, right?

Ms. **Oakar**. Right.

Ms. **Gilkey**. Let me say this before the committee. This is a good one for you.

In Cleveland, one of the indicators you have to have in order to manage, one of the things you got to have is you have to be able to get workmen compensation and liability insurance.

Here is a new group like Lakeview Terrace resident management takes over, goes to insurance company, clean up the site, the insurance company gives us insurance, liability and workmen compensation.

Today the housing authority, the PHA cannot get insurance. They cannot get liability and workmen compensation but we went to the same insurance agency and got it. In fact, they got risk-management insurance and we got insurance. And we have been managing since November 20 and they have been managing for 40 years.

I guess the point I want to make is the actual cost of the unit doesn't cost 30 percent. Tenants are not—does not cost 30 percent of your income to live in public housing. If you build in the higher administrative cost, yes, it does.

But if you eliminate that administrative cost and just say, charge tenants what it costs, which is the salary of your management staff, you know, because our people do windows, pl[illegible] all the electrical stuff, we are talking about—using the example of St. Louis—we could in fact manage Cochran right now to live in the six-bedroom in Cochran Gardens in St. Louis if you are [illegible]

$18,000 a year with six children and you will pay, under the housing authority, $640 a month. That doesn't include utilities.

If, on the other hand, if the tenant management was like the housing authority, became a minihousing authority, we could rent that same unit to the same family for $195 a month and that includes their utilities. That is the difference.

Ms. Oakar. I think we ought to get Bertha and these two or three people to come into Cleveland, clean it all out, and run the whole thing. I am serious. I believe that.

Ms. Gray. Excuse me, let me ask you a question. The question you are really asking at the beginning was, How could people cost themselves out of public housing?

Ms. Oakar. Yes.

Ms. Gray. Legislative, there is no ceiling to rent. That is why we have requested that there be a ceiling rent placed. That is to answer your original question. There is no ceiling rent. You can live in public housing.

You have to have a certain income to get in. You don't need an income to stay in. You can make $30,000 and live there as long as you pay 30 percent of the total income to the household.

Ms. Oakar. And you pay that much.

Ms. Gray. Yes.

Ms. Gilkey. Yes.

Ms. Oakar. Thanks for the clarification, because HUD has, in the past, criticized the way—I don't think they had you in mind, but they have criticized the fact that some people lived in public housing who really are not poor. That is what we are saying.

My feeling is during this period of what I used to call turf reclamation, where you reclaim your own land there——

Ms. Gray. Working poor.

Ms. Oakar. And give it back to the people who have to live there, that we ought not have those kinds of guidelines for this period, because otherwise, you wouldn't be able to live there, and here you are trying to get a job.

So I am all for people living in public housing who want to do a job to improve it.

Ms. Gilkey. Plus I just wanted to say something, Congresswoman, and that is what you do is you lose the leadership. That is what happened to public housing.

Years ago when my mother moved into public housing, working families lived there. Then, as the people began to get a decent job, they kicked them out so you ended up with all low-income people.

It is important to public housing that you keep a leadership constituency. When you force working people out, then you lose the leadership, and you are left with people who are helpless.

Ms. Oakar. Right; that is what we do, we do all the disincentives in welfare.

Ms. Gray. Then you co-op.

Ms. Oakar. If the chairman will just be a little indulgent with me, I want to ask Lena Jackson a few questions.

We are proud of the work that you have done. You have done a terrific job. I want my committee members to know the tremendous resistance to tenant management—Bertha knows—that my public housing authority gave. It was unbelievable how they did not want tenant management until all the pressures took place, then all of a sudden even this is their claim to fame, when we all know who was for it and who wasn't.

Lena, you mentioned all the things that have happened just in the short time. You mentioned the screening committee. For the benefit of my committee members we asked for an audit done by the inspector general, and I asked the chairman to have a hearing on this—a report that said CMHA mismanaged $53 million. This is at a time when they are cutting funds for housing.

You mentioned screening. That you have a point system. Nobody accuses you of discrimination if you want the drugpushers out of public housing, right? You don't have problems.

Yet, in the audit report, they talk about the fact that CMHA had absolutely no screening whatsoever. Only two or three persons can ruin it for everybody else. We are not talking about everyone. We are talking about the majority being fabulously decent people.

We have that kind of need. Could you contrast your success in the past few months with what has happened, what it was like before?

Ms. Jackson. Sure. First of all, I would just like to say that we had no support from the housing authority when we began to talk about even the feasibility of training for tenant management. They gave us all types of opposition and showed us why tenants should not run public housing. They also organized against us.

Ms. Oakar. Who is they?

Ms. Jackson. The housing authority.

Ms. Oakar. The housing authority.

Ms. Jackson. They organized with the dopepushers to try to run us out of Lakeview, to try to tell us that we better not organize for tenant management.

We have a report that the director of housing met with a drug dealer at a McDonald's restaurant and they—it was the drug dealer that brought us the report back that they were trying to organize against us.

We did meet all types of opposition.

Ms. Oakar. Were those drug dealers living at Lakeview?

Ms. Jackson. Absolutely; In fact, the drug dealer that they met with we have them gainfully employed and they not only have stopped selling dope there at Lakeview, but they inform us on anybody else that tries to come and set up a drug ring there.

What they have said to us is, you won't let us operate, you busted us, and we will be darned if you let anybody else come in. So they keep us abreast of everybody that is trying to set up a drug ring there.

But we met with the housing authority many, many times. We met with their staff and they have absolutely said there would not be any tenant management at Lakeview. When we went to talking about screening the tenants that was another whole different issue.

They said that they were screening people but we knew that the housing authority was not screening people because we had people coming in that had just been released from prison that were felons and we had people coming in from the mental institutions for which we are working up a program now, because we know there is a concern for people coming out of a mental institution.

So we are working on a program to get financial support so we will be able to deal with our people so that we will be able to meet their social needs there.

Ms. **Oakar**. Let me ask you one other. I want to go through the criticism of the report and a few things that you have been able to improve in a couple months.

The report says they paid out $1.695 million in excessive salaries, wages, and fringe benefits in violation of HUD requirements.

Bertha just said that they got 50 people doing the job for what CMHA paid—how many?

Ms. **Gilkey**. Nine.

Ms. **Oakar**. They have 9 doing the work of 50. They resisted your people doing the repair at Lakeview.

Ms. **Jackson**. Right.

Ms. **Oakar**. Do you think you are getting more for your money when you hire the residents to do the jobs?

Ms. **Jackson**. Absolutely; I know we are getting more for the money, but not only that, we get pride from the residents. They are taking pride in their job. They want to be sure it is well done as opposed to when we had the housing authority there was very sloppy work done, and I am not against housing authorities, and I don't want to sit here, and make you think that I am against the housing authority, but residents that are working now are taking pride in their work.

Also, just last week we met with the JTPA Program and we learned that many of our residents were going to be penalized that was working, that they would lose all their medical benefits, and they were going to lose their food stamps, and also their benefits were going to be slashed.

What they said, the 50 residents that are working here, what they have said is for the next 18 months we have a contract and we have a commitment and we are going to stick it out no matter what we lose, no matter how we are penalized, we will hang in here because we are going to make this program work.

So, yes, I do think we are getting much more now for the money where we have hired the 55 employees as opposed to the housing authority with the 9 employees they had.

Ms. **Oakar**. Let me ask you, with regard to the CIAP Program, the Inspector General's report said that CMHA had not spent $36.9 million of the $89 million that they got, which is amazing to me since we have all these boarded-up places. So I have to ask what they did with the money if they didn't spend it for that.

You mentioned the CIAP Program and the high administrative costs. Would you review that point which you made earlier Lena, about the heating situation as an example?

I want to get that clear for the record. What you asked for and what you got in actuality. If Bertha wants to respond, fine.

Ms. **Jackson**. We were awarded $4.7 million through CIAP. This was to be for a new heating system at Lakeview. It was also to be for new doors, and new windows, and for a new roof. Out of that $4.7 million, I think they took approximately $680,000 for administrative costs.

Now, we are not able to get all doors, we are not able to on all the buildings, nor windows, and roofs for all buildings. Had they not been allowed to, under Federal regulation, to take off that $680,000, that money could have been used to do more work to help us get the windows and the other things we needed.

Ms. OAKAR. What did they use the money for?

Ms. JACKSON. For administrative costs.

Ms. OAKAR. Like what?

Ms. JACKSON. Well, for their salaries. I clearly don't understand because they are already receiving a salary from the housing authority. The same people that——

Ms. OAKAR. I want to be sure I understand. They are already getting a salary under the budget.

Ms. JACKSON. Yes.

Ms. OAKAR. They are listed under this area of modernization for Lakeview.

Ms. JACKSON. Yes.

Ms. OAKAR. Are they getting paid twice or what?

Ms. JACKSON. It is. They are getting paid out of our annual operating budget, and then they come back and justify it because they are working on a special program, up under the CIAP, that they should be paid for that, too.

So it is doubledipping. They are getting paid twice for the same amount of work they are doing.

Ms. OAKAR. Terrific.

Ms. JACKSON. This takes away from the work that should be done on the site.

Ms. OAKAR. Could you——

Ms. GRAY. Excuse me; I want to be clear so you understand. They do not receive two paychecks, though. They get one paycheck. They just list it twice which creates——

Ms. OAKAR. Right, but it is false bookkeeping.

Ms. GRAY. We understand that, but I want you to understand they receive one check. But it creates more money for the housing authority to do—to do something else with that is not being done.

Ms. OAKAR. In other words, when they submit their budget they say they will need this kind of an administrative budget, but what they do is take the money out of the modernization money. Unless HUD scrutinizes it closely and, apparently, because we asked them to, they will do it in Cleveland one more time, I understand.

HUD saw the bookkeeping manipulation. So, what they are telling us is they want to freeze modernization funds. In other words, they are blaming it on modernization when, in fact, it was a deliberate manipulation.

You did not need $660,000 worth of administrative funds for their purposes.

Ms. GILKEY. No, Congresswoman Oakar.

In fact, the housing authority had already taken $980,000 out of their operating budget for administration.

So, Kimi is right. In fact, what they have done is you only will see them down for one paycheck, but what they have said is, "OK, we have all these things to do; how do we do them?"

Easy. we will build in a high administrative cost into the SIAP budget, take those dollars and use them to do other things that we can't do out of the operating budget.

So, that is what they are doing.

Mr. Woodson. Could I add to that, we asked HUD not to penalize Lena and her group in the freeze. We think that something should be done so that resident-managed properties in a situation like that don't have to suffer because of what the housing authority did.

Ms. Oakar. That is right, yes.

She is not the one manipulating the money. The management, the tenant management doesn't.

So, you will suffer, and whoever else is involved in tenant management will.

I think with proper oversight you should be given the money.

Mr. Woodson. Yes.

Ms. Oakar. With oversight and all the kinds of controls. To me that is all we can do in Cleveland. Start all over again and just clean out the barrel.

Let me say one thing to Lena in a moment and I would love to hear from you, Reverend, in a moment.

I know my chairman is being indulgent, and he has a time problem.

You mentioned crime. We know seniors are raped and murdered, and seniors are in this project, I assume. Very often there is a reconciliation and working together that has to be done when you have a situation where you have multifamily and seniors. You have gone through that transition.

Is there still anxiety associated with that problem?

Ms. Jackson. Let me say, when we first began to organize, when we had resistance from our seniors, the housing authority came in with their management staff and put fright into the seniors that they would be put out of their homes.

The seniors did not have the education to do the management we were talking about.

Today, our seniors are working hand in hand with us.

Ms. Oakar. They are on the board, right?

Ms. Jackson. Right; we have a senior advisory board. They make recommendations to us. They are happy with the security of the building.

They are happy when we come in and bring kids into the building to sit and talk with them. And we have youth that go in, and they do the errands for the seniors.

Yes, we are working hand in hand. And we also have purchased a van where we can take our seniors shopping. When we signed the tenant management contract, the housing authority cut off the services they were providing, so we immediately went and bought our own van, because we said that our seniors would not suffer because of the transition.

Ms. Oakar. Just one last thing, Mr. Chairman.

CMHA lost a total of $328,400 in rental income in 1985 due to the fact they never bothered to collect the rent. In your report to us today you are collecting that rent and making people pay up.

Ms. Jackson. Yes.

Ms. Oakar. Finally, you had a meeting in Cleveland. Lena happens to head up the CMHA central advisory committee, as well, representing 29,000 people.

What you have done there is ask for the ouster of the majority of the board members who are appointed by the director because of the audit and other areas.

Are the tenants supporting that?

Ms. Jackson. Yes; that is the reason why we as the representative board for the tenants decided that we would not take a position until we had a massive meeting inviting all the tenants to come to this meeting.

They voted just this past Saturday that in order to clean up the house and in order to stop the mismanagement of the funds that was found in the HUD audit, that we needed to get rid of the entire board with the exception of the newly appointed board member that came on.

We all——

Ms. Oakar. Whose name is Blount, as well?

Ms. Jackson. Yes.

Ms. Oakar. Not related to the reverend, but I wanted to put that in.

Ms. Jackson. And we decided we would demand a new director.

Ms. Oakar. Let me just say you may not have seen our local paper this morning but CMHA attacks the audit and blames me and blames the Plain Dealer and others for all their problems. How would you respond to that? I am curious. Is is our fault or is it their fault or whose fault is it?

Ms. Jackson. As a public housing tenant I know that it is the fault of the housing authority for the mismanagement of the funds.

Ms. Oakar. Is the solution to change the whole make up and have the residents intimately involved? Is that the solution for our housing authority? Would you advocate what you are doing to all the areas in our city or what would you say about that? Do you think that is the way to handle it?

Should we have a separate entity to handle each project such as a separate board to handle each project? Is that the way to clean house? I am dumbfounded because I have been going through this since I was a city councilwoman 13 years ago fighting this battle of graft and mismanagement. Meanwhile we have all these people around not getting housed properly and we have manipulation of all the taxpayers' money. Everybody loses.

The poor people lose, the taxpayers lose, and everybody loses with a few bright spots thanks to you and all the good work you have done, Lena, and your group.

But what is the solution?

Ms. Jackson. I would strongly recommend tenant management as one of the solutions. I don't have an answer to the entire solution, but I do know that this housing authority that we have in Cleveland in order to make those dollars accountable, that we must get rid of them.

Ms. Oakar. Thank you.

Thank you, Mr. Chairman.

Chairman Gonzalez. Thank you.

Reverend Blount. Mr. Chairman, I know I am running late but I would like to indulge the committee for 1 minute.

Chairman Gonzalez. Certainly.

Reverend Blount. Whenever any authority receives $4.6 million there has to be some administrative cost even though the $680,000 was excessive, but there has to be some type of technical assistance that will actually have to go with the costs of doing the work that has been designed to be done by the authority.

Even though I agreed that $680,000 was too much, I do want to add that there is also a certain amount of cost that have to go along with a certain amount of money that comes in.

I would like to also bet that the CIAP money not be cut in cities where tenant management is actually working and doing an exceptional job.

I really think that to cut it you cannot promote a program that takes money to operate, at the same time cut out the subsidy or the moneys to keep the program in force.

Thank you.

Ms. Oakar. Mr. Chairman, if I might.

Chairman Gonzalez. Certainly.

Ms. Oakar. In my letter to Mr. Pierce, in reference to your point, Reverend, and Mr. Woodson and others, I asked the money not be cut out because it is the people that are suffering, not the mismanagement and the whole team that make over $70,000 a year.

Thank you.

Reverend Blount. Thank you.

Chairman Gonzalez. Mr. Fauntroy, do you have any questions or a statement?

Mr. Fauntroy. No, save to thank the chairman again for opening the discussion on this very important situation.

Ms. Oakar. Yes, thank you.

Chairman Gonzalez. Actually, it is an honor and a privilege really. This is a thing that I feel this subcommittee should do and would have done, and I welcome the opportunity. You don't thank me because actually, you made it possible, Ms. Oakar, and I don't know, maybe we ought to have more hearings during the break. We got more members than we averaged while we were in session.

I think that shows you that the drawing power of the people that are there.

Ms. Oakar. Mr. Chairman, may I ask unanimous consent that some of the articles relative to Cleveland's situation and Ms. Jackson's response be placed in the record after your remarks.

Chairman Gonzalez. Yes, without objection, so ordered.

[The information referred to follows:]

THE PLAIN DEALER, THURSDAY, MARCH 20, 1986

CMHA stands to lose $3 million for repairs

PD 3/20/86

By MAXINE L. LYNCH
STAFF WRITER

Nearly $3 million that has gone unspent for housing improvements at the Cuyahoga Metropolitan Housing Authority's Woodhill Homes Estates is in immediate jeopardy of being lost.

That became clear as officials at the local office of the U.S. Department of Housing and Urban Development began yesterday to implement reforms mandated by HUD's inspector general's office after a nine-month investigation of management operations at CMHA.

The first thing they decided, in response to the report, was that CMHA had passed its deadline to spend the $3 million. CMHA is appealing the move to withhold the funds.

The money is part of $36.9 million in special funds HUD has allotted for housing improvements that the agency has not spent, according to HUD investigators.

Federal examiners said the $52.4 million the agency spent out of a total of $89.3 million allotted to the agency since 1974 was mismanaged.

CMHA has denied mismanagement.

Renovation work at CMHA's Woodhill and Valley View Estates was used as examples of how the agency misused some of the money.

About $11 million was earmarked over the last six years to make substantial modernization improvements at Woodhill and about $6 million was earmarked for Valley View.

CMHA has spent $8 million at Woodhill and nearly $2 million at Valley View for repairs HUD auditors called questionable.

In an effort to spend the remaining funds at Woodhill, CMHA awarded a $3,595,577 contract to Adam Construction Co. last year. A $3,080,872 contract was awarded to Todd Mechanical Inc. for Valley View.

CMHA failed to follow contract bidding requirements in the two contracts, federal examiners said.

The housing agency failed to get pre-bid estimates and had negotiated verbally for reductions for both contractors when their original bids were higher than the funds available, the examiners said.

After negotiating the verbal reductions, CMHA then eliminated needed improvements listed in the bid specifications and failed to document the specification changes, the audit report said.

Due to unclear contract specifications, such as whether the contractor was required to insulate exposed steam pipes inside the apartments, disputes arose between CMHA and Adam Construction. The firm stopped working in December.

Adams has been paid $534,978.40, CMHA said. CMHA has paid itself $80,870 for administrative expenses, and another $885,440 has been spent for architectural, engineering and construction costs, CMHA reported.

None of the 948 units at Woodhill have been renovated, and CMHA officials have no idea when work will resume.

Todd Mechanical stopped working on Valley View last May after it filed for bankruptcy.

Todd Mechanical was paid $898,000. CMHA paid itself $51,720 in administrative expenses and $1,116,160 was paid for architectural-engineering and construction costs at Valley View.

None of the 239 units at Valley View are completely renovated. CMHA has not hired another contractor to finish the work.

Federal examiners said most of the money CMHA spent at Valley View and Woodhill was for cosmetic repairs or low-priority items.

For example, at Woodhill CMHA put electrical outlet panels in the kitchens in 1983. In 1985 the agency removed the outlet panels and installed a wall to cover the electrical outlets. CMHA said the wall was to prevent shocks and eliminate tenant complaints.

✓CMHA pact spurs questions

Husband, wife conflict of interest charged over CWRU deal

By MAXINE L. LYNCH
STAFF WRITER

PD 3-22

Case Western Reserve University, whose president is David V. Ragone, is doing business with the Cuyahoga Metropolitan Housing Authority, whose chairman is Katherine E. Ragone.

The Case Western Reserve University School of Applied Social Sciences (SASS) is expected to receive $189,619 for a tenant-training program at CMHA's Olde Cedar Estates, according to CMHA records.

So far, two contracts totaling $89,865 have been approved for the SASS program.

The university will be paid from the $16.5 million special modernization program funds earmarked for Olde Cedar by the U.S. Department of Housing and Urban Development, CMHA reports show.

Lena Jackson, head of CMHA's Central Advisory Council, has raised some questions about the contracts. The council represents the 20,000 CMHA tenants.

"I just view it as a conflict of interest, with Mrs. Ragone sitting on the board and Case Western receiving the contract to do the tenant-management training, and with her husband being the president of the university," Jackson said.

See CMHA, PAGE 11-A

THE PLAIN DEALER, SATURDAY, MARCH 22, 1986

CMHA

FROM PAGE 1-A

The Ragones denied any conflict in the CWRU-CMHA dealings.

They pointed out that the CMHA board approved a resolution for CMHA to enter into the contract with the university before Katherine Ragone became a board member.

Ragone, 59, of Hunting Valley, was appointed to a three-year term on the CMHA board Oct. 25, 1984, by Mayor George V. Voinovich. The CMHA board approved a resolution Oct. 9 for SASS to receive $189,619 for tenant training at Olde Cedar.

Ragone said Voinovich notified her Oct. 18, 1984, that he had selected her to the board.

Former board member Isabelle Hendricks, whom Ragone replaced, said everyone was aware before Ragone was appointed that she was going to be a CMHA board member. Hendricks said George M. James, CMHA's executive director, encouraged the board to pass the resolution to give SASS the money before Ragone's appointment.

"She attended many board meetings prior to her appointment to the board," Hendricks said. Ragone and James were members of the Greater Cleveland Roundtable's housing committee before the appointment, she said.

It was not until January 1985 that SASS submitted a proposal to conduct a program to determine whether tenants were ready for tenant management, CMHA records show. It received an initial contract of $49,868 on Feb. 20, 1985. Ragone was a board member then.

On Nov. 12, another contract was issued to the university for $32,000, which included a provision that it could be increased to $40,000, CMHA records show.

Ragone was board chairman then.

"When she (Ragone) joined the board, she was one of the strongest fighters we had," said a tenant who asked not to be identified because she feared intimidation by CMHA officials. Since the contracts "she has taken a low profile and been totally silent."

Ragone said she had not changed.

Arthur J. Naparstek, dean of SASS, said that the Ragones were not involved in the contract negotiations. He said the university announced in the spring of 1984 that it would become involved in public housing, public education and public welfare.

"Kit Ragone had nothing to do with that (contract). Nor did David. This was developed long before she was appointed to the authority," Naparstek said.

Naparstek said he believed CMHA had paid the university about $66,000 and that SASS was not paid the full amount on the first contract.

CMHA lawyer Beth Staples said CMHA records indicated SASS was paid the full amount for the first contract.

The effectiveness of the tenant-training program conducted by the university has been questioned by national experts in tenant-management training.

"I am not condemning anyone's training, but I would like to meet with James to get a contract to include some things that they (SASS) omitted," said Kimi Grey, who began one of the nation's first tenant-management programs in Washington D.C.

Bertha Gilkey, another nationally known tenant-management consultant, who was partly responsible for a tenant-management program at CMHA's Lakeview Terrace Estates, said she received $20,000 to train Lakeview residents.

Gilkey and CMHA managers trained tenants at Lakeview on maintenance and custodial operations, rental and occupancy issues and other skills needed to take over management of Lakeview last November.

At Cedar, Naparstek said, even though CMHA reports say it is a tenant-management training program, it isn't. He said last year the university assessed what resident needs and goals were. This year the SASS program will try to enhance tenant-communication skills, including group and family communication, he said.

Only a few tenants have shown up for the classes. Most of the estimated five people active in the program are women, some of whom are in their 60s and 70s.

Tenant leaders and HUD officials have pointed out that few people are living in Cedar.

CMHA has boarded up most of the buildings in the estate while contractors work on the modernization of about 494 vacant units. About 160 apartments are occupied.

Joseph T. Smith Jr., an active member of the SASS tenant class and co-editor of a tenant newsletter, said attendance had been low, but he said warmer weather might encourage more people to get involved.

"We're just getting it off the ground. We really haven't had as many people coming as we thought," Smith said.

THE PLAIN DEALER, SUNDAY, MARCH 23, 1986

CMHA tenant leaders vote for James' ouster

Angry Cuyahoga Metropolitan Housing Authority tenant leaders yesterday recommended the removal of Executive Director George M. James and all but one of the CMHA board members.

The recommendation comes in the wake of a federal audit that showed CMHA mismanaged $52.4 million in federal money, failed to use another $36.9 million for housing improvements and failed to provide safe and sanitary conditions in violation of its policies and U.S. Department of Housing and Urban Development regulations. The audit results were released last week after a nine-month investigation of CMHA management. CMHA has denied mismanagement.

"We're angry, and we're damn angry today," said Lena Jackson, head of CMHA's Central Advisory Council, which represents the 29,000 CMHA tenants. "The residents are angry because of the mismanagement of money given to CMHA.... The bottom line is the tenants are going to suffer."

Members of the advisory council representing 27 of CMHA's 33 housing estates voted unanimously yesterday at CMHA headquarters to ask for the resignations of James and all board members except Erwind E. Blount. Blount was appointed to the five-member board in January by East Cleveland Mayor Darryl E. Pittman.

"He speaks the language that we're speaking," Jackson said of Blount. "He has demonstrated compassion and concern."

Several tenants who attended yesterday's meeting told of roofs that have leaked for years, falling plaster, security problems, and mice and rat infestation. They said CMHA had the funds, but was unresponsive to the problems. One woman said she had been waiting three years to get her roof fixed and was told by the board there was no money for the repairs.

Eugene S. Bayer, a lawyer for the tenants, waved a copy of a Plain Dealer article from 1973 in which he accused CMHA of misspending or misappropriating $453,401.

"That has mushroomed to $52 million, and we lost then, but I don't think we're going to lose now," said Bayer, who urged tenants to stay united.

"This has got to stop," Bayer said. "People can't suffer indefinitely.... Who can tolerate an administration that tells you if you live here, you're going to have rats?"

Jackson said tenants would rally behind Blount, who would try to use his power as a board member to make changes. Blount couldn't be reached yesterday.

Asked how tenants would exert pressure on CMHA, Eddie Smoot, organizational director of the Central Advisory Council, said he couldn't comment on specifics.

"We have Plan A and Plan B," Smoot said.

"Then all the way down the alphabet," added Dexter Lowe, Central Advisory Council outreach worker.

Other tenants said the focus shouldn't be only on James and current CMHA officials. Previous CMHA managers and higher authorities who have appointed board members also should be held accountable, they said.

"If you're going to clean house, get under that rug, too," said Barbara Morgan, vice president of Lakeview Terrace advisory council.

CMHA Chairman Katherine S. Ragone yesterday said she had no comment on the tenants' action.

James couldn't be reached yesterday. Last week, he said he knew nothing of the tenants' plans to call for the resignations and had no comment. James also said earlier that CMHA had been working all along to correct some of the problems pointed out in the audit report. Other findings were challenged by CMHA.

AVAILABLE

Oakar seeks House hearing on CMHA fund allegations

PD 3/25

By MAXINE L. LYNCH
STAFF WRITER

Results of a federal audit of Cuyahoga Metropolitan Housing Authority management prompted Rep. Mary Rose Oakar yesterday to a call for a congressional hearing into the troubled agency.

Rep. Henry B. Gonzalez, D-Texas, chairman of the House subcommittee on housing and community development, agreed to order a special committee hearing to discuss the U.S. Department of Housing and Urban Development's inspector general audit of CMHA, said Oakar, D-20, Cleveland.

The inspector general reported, among other things, that CMHA had been given $89.3 million since 1974, but mismanaged $52.4 million and failed to spend the remaining $36.9 million.

See CMHA, PAGE 14-A

■ FROM PAGE 1-A

The monies were from a special HUD modernization program and earmarked for comprehensive renovation of its housing.

Federal examiners also found other CMHA management problems, including excessive salaries, improper contract bidding and loss of millions of dollars in income.

George M. James, CMHA executive director, yesterday said he was reluctant to comment about audit findings. He said his statements had been taken out of context in stories about the agency.

Some tenant leaders upset about audit findings have suggested James be removed. He is paid about $72,000 a year.

Lena Jackson, head of CMHA's Central Advisory Council, which represents the estimated 29,000 CMHA tenants, is expected to meet tomorrow with the CAC board to ask them to demand James' resignation.

New board member Erwind E. Blount yesterday demanded the resignations of board Chairman Katherine S. Ragone, board Vice Chairman Norman Krumholz, and tenant board members Adeline Turner and Marie Childress "for gross neglect of their duties and responsiblities to the authority.

"I have heard the tenants asking for the resignation of the director, and I think the tenants have a legitimate right to ask for that resignation. But the real culprit, which caused the mismanagement in the first place, is the CMHA board."

Oakar said she too was concerned about the board.

"What really bothers me is that the board has not lifted a finger to do a thing," Oakar said.

Board Chairman Ragone defended James and the board.

"Mr. James has gone in and absolutely reorganized CMHA and with Mr. (Peter M.) Iskin's help he has written policies and procedures and instituted a matrix type of management," Ragone said. "(James) has gotten procedures in place which were needed. All of this does not show. He has made very good strides. I am feeling good about the way the staff is pulling together, but obviously the auditors don't feel about it the way that I do."

Iskin is the former board chairman.

Krumholz said some things reported by the federal examiners were known to the board. He said the board had been "anxiously trying to direct the staff to correct some of the shortfalls."

Oakar said she had requested a meeting with HUD Secretary Samuel R. Pierce Jr. to discuss the possibility of ousting board members and have HUD take over CMHA operations.

"There are no internal controls — neither by the board nor the management — over the funds," Oakar said. "It's obvious that very little right was happening and a lot of wrong was going on."

Mr. FAUNTROY. I would like to give my commendation of you, Mr. Chairman, for your leadership over the years on the public housing question. I was frankly encouraged by the other distinguished gentleman from Texas indicating his support for this kind of measure. Maybe if we work hard we might get his support for H.R. 1.

Chairman GONZALEZ. Well, I was hoping—well, yes, maybe we can work on him. Up to now though, we have to proceed with the cooperation of other members of the minority. Let me put it that way.

Mr. FAUNTROY. Then I want to commend each and every witness here, particularly our own Kimi Gray and I commend the fine work she is doing at Kenilworth-Parkside, and Mr. Woodson who has been so valiant for truth on this question and provided us with great input across the country on what is obviously an idea whose time has come, and I hope that we in this committee will be those who send this idea off to reality.

Chairman GONZALEZ. Well, thank you very, very much. You really have all made it possible. I want to thank every one of the panel. We did take advantage of you because we knew you would be here in Washington and we are delighted that you took time out. We know that so many of you had to travel many miles and your record here will be one of the most eloquent that any committee hearing will reflect.

You will get copies of the transcript of the proceedings, and of course you will review them and modify or change as you see fit, and then it will be printed as a report of a hearing by this subcommittee.

So thank you indeed, very much, and Godspeed in all your endeavors.

Ms. GRAY. Thank you all very much.

Reverend BLOUNT. Thank you, Mr. Chairman.

Mr. WOODSON. Thank you, Mr. Chairman.

Chairman GONZALEZ. The Chair wishes to announce that we have run over, and we have a panel—we will continue the hearing. We still have to hear from a panel consisting of Mr. Robert J. Rigby, who is the executive director of the housing authority of Jersey City, NJ, on behalf of the Council of Large Public Housing Authorities; and Mr. Clyde T.J. McHenry, president of McHenry Co., former General Deputy Assistant Secretary for Housing at HUD, representing the National Association of Housing and Redevelopment officials.

These witnesses will be very important. I would like to visit the witnesses that we just heard—if you have the time to remain and hear these very distinguished spokesmen, one as I said representing the Council of Large Public Housing Authorities, and Mr. McHenry, now in private business but a former Deputy Assistant Secretary of HUD.

The Chair will announce, on the request of Ms. Oakar, will recognize Mr. McHenry. I think Mr. Fauntroy stated earlier that even though we are in the break—he is chairman of more than one subcommittee, and he is having hearings. Ms. Oakar likewise is chairwoman of very important subcommittees. Unless, Mr. Rigby, you have a time problem and need to be heard first, I will a[illegible] unanimous consent to recognize Mr. McHenry.

STATEMENT OF CLYDE T.J. McHENRY, PRESIDENT OF THE McHENRY CO., FORMER GENERAL DEPUTY ASSISTANT SECRETARY FOR HOUSING, HUD, REPRESENTING THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. McHenry. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am Clyde McHenry, a private housing consultant and member of NAHRO. I have had long involvement in public housing and tenant management. In 1976, as executive director of the housing authority of New Orleans, I initiated a tenant management program at the Calliope project, a 1,550-unit family development. In 1977, under NAHRO's auspices, I helped define the terms for a new management contract between the Boston Housing Authority and Bromley Heath Tenant Management Corp.

In 1977 and 1978, I served as a public housing authority representative on HUD's task force on tenant participation. My firm trained the board and staff of the Kenilworth Management Corp. in 1981 and assisted the board to negotiate a management contract with the DC Department of Housing and Community Development in 1982. We are presently training the board of the Riverview Resident Management Corp. in Cleveland, OH.

It is my understanding that we are here today to talk about the management of public housing by tenant controlled management groups contracting with local housing authorities. Although there are many forms of tenant management, I will limit my remarks today to many forms of tenant participation. I have long supported and fostered tenant participation generally and tenant management specifically. I believe that public housing tenants must make a contribution to the management of their projects and positive tenant management relations are essential to improvement of life in public housing communities.

However, I do not consider tenant management the answer for all problems facing public housing and cannot work in all public housing situations. There are currently several administrative and legislative proposals being pushed to foster tenant management. NAHRO objects to a number of the specific initiatives in some of these proposals. For example, the proposed H.R. 4026 gives increased management flexibility in some areas to PMC's not made available for public housing authority managed properties. We believe for local public agency management and tenant management to be more successful, there needs to be greater initiative and flexibility in the hands of the manager, be that a tenant manager or public housing authority manager.

It must be pointed out that where TMC's have been most successful all parties involved have been willing to allow TMC's greater flexibility in management. NAHRO emphasizes this same flexibility should be given to all well-managed public housing authorities. These initiatives also encourage the use of CIAP moneys as a priority in funding the technical assistance or training needs of TMC's.

We are concerned about the increased demand on CIAP funds when the administration has not sufficiently addressed the physical improvements. We talked earlier about the many vacancies in public housing, and that is true in projects whether they be tenant managed or public housing authority managed. And we are concerned about the dwindling supply of the stock and set-asides for that. We believe that funding for TMC's—and we do support funding for TMC's—should be above the level of the funding that is needed to improve the existing stock of public housing. It should not come from the already nearly depleted supply of CIAP funds.

Moreover, PHA's, like TMC's, can point to examples where additional funding and greater flexibility in management can produce better results. The Public Housing Program continues to be plagued by problems relating to limited flexibility and funding, as well as an aging inventory in various stages of disrepair. NAHRO has been testifying year after year these changes need to be made.

It is not a lesson that has been recently learned just through the experience of tenant management. There have been a number of tenant management programs started over the last 15 years, somewhere initiated because conditions of the projects were so bad tenants demanded the right to manage. Some were created because of a mutual desire by the PHA and the tenants for management.

Finally, some were created through the initiative of the housing authority to seek out tenants and interest them in management. I am aware of 17 tenant management programs and 11 authorities that have actually signed management agreements since 1971; 12 of the tenant management programs are currently active. In almost all of the programs that are still active, there are three common ingredients: the tenants were highly motivated and had a strong desire and the capacity to manage the project; there was a positive and cooperative attitude on the part of the PHA; and time and resources were made available to train the residents in general organizational skills, as well as the nuts and bolts of day-to-day management.

I believe it is essential these ingredients be present in newly created tenant management programs. Two of these essential elements are project and PHA specific. First, tenant motivation and leadership must come from within the tenant population. The PHA can encourage it, but if the tenants are not willing to put in the time and hard work, and I emphasize that because it is a great deal of time and a great deal of hard work involved—if you don't believe that, ask Kimi Gray, who manages at Kenilworth. If they are not willing to put in the time and hard work to learn effective community organization and learn effective management skills, no amount of money will make tenant management a success.

Next, many PHA's resist changing the traditional landlord-tenant relationships. Because successful management requires a positive and supportive attitude on the part of the PHA and because the PHA controls the resources needed for day-to-day management at the startup, a hostile PHA will almost certainly cause a tenant management program to fail.

To overcome this obstacle, tenant PHA relations must be nurtured at the local level and positive support arrangements established. This process can be helped along by HUD and such organizations as NAHRO by providing guidance to tenants and PHA's alike. When the ingredients previously mentioned are present, it is my experience tenant management can work well. TMC's can perform well on the hard indicators of performance, such as rent collections, maintenance and occupancy rates, and I think better in the soft areas, such as tenant satisfaction, tenant employment and social services.

However, studies indicate that tenant management can be more expensive than conventional management. Ray Struyk in his book, "A New System for Public Housing," states, and I quote, "While tenant management is competitive with conventional management if implemented properly, it is a delicate operation requiring good will, good people, extensive external assistance, and substantial continuity."

William Diaz, in his research on HUD's study on tenant management says "There is increased financial need arising from sources such as maintenance and repair, especially in deteriorated projects, training and technical assistance at the startup and continuing throughout the program and creation of new positions."

NAHRO supports the concepts of tenant management as one means to effectively serve low-income residents. We recognize local circumstances, the leadership of the tenant population and the attitude of the PHA are key factors for success. Tenant management can work everywhere. It will work in situations where the tenants and PHA desire it and where financial and technical assistance resources are present to support it. Whatever course we go in the Conventional Public Housing Program, we must end up with a program that is viable for management.

Tenant management should not be used as a device to take the best managed, best located housing developments out of the local housing programs but as a way to improve the chances of public housing residents.

Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you.

We recognize Ms. Oakar for her questions.

Ms. OAKAR. Mr. Chairman, thank you for your indulgence. I wanted to say to Mr. McHenry, is that you were working for HUD as an Assistant Secretary. We respect the work you did there. Now you have formed your own corporation for consulting, with respect to public housing, is that correct?

Mr. MCHENRY. That is correct.

Ms. OAKAR. With respect to the audit, and I think as long as you are here and I have a chance to ask you, I don't know if you are aware of it or not, but one of the criticisms of the inspector general is the amount of consultant fees. Your corporation is one of them, and apparently there weren't competitive bids or anything like that. I thought you might want a chance to respond now.

In any event, could you tell the committee how much your firm was paid for doing consulting work in tenant management?

Mr. MCHENRY. We were paid I believe $69,000 for the contract that began in May or April 1985 and expired at the end of February. We are currently in discussions with the authority—we have an 18-month program that we use in doing tenant management programs.

The first phase of the program deals with community organization, going through a process of board elections, and at the completion of that, developing all of the personnel policies and other job descriptions and other items needed to employ a tenant management staff, including a budget. All of that work was done and submitted to the housing authority, it was done in stages, of course, but submitted to the housing authority I believe in January.

Ms. Oakar. They show they paid out $75,782.

Mr. McHenry. That might be correct.

Ms. Oakar. The original contract was for $60,000 and then apparently there were some additional needs.

Mr. McHenry. That is right. There was an extension, I believe, in December, and I thought it was for $9,000, but if you say it is for 15, I won't quibble with that.

Ms. Oakar. The amount that was originally contracted for was for an 18-month contract?

Mr. McHenry. No, the $66,000 was actually for 6 months, and the work actually went over a period of April 15, 1985, until the end of February 1986. So more like 10½ months, I guess.

Ms. Oakar. Did you hire anyone locally to do some of the work?

Mr. McHenry. Yes; one person, yes. Also Kimi Gray.

Ms. Oakar. Did you hire Gail Livingston——

Mr. McHenry. That is right.

Ms. Oakar. The former assistant to Mr. James?

Mr. McHenry. She is a full-time employee within our company and works all over the country. I did not hire her as a consultant working on Cleveland.

Ms. Oakar. She is with your company?

Mr. McHenry. Yes; her family relocated to Minneapolis, and I hired her as a full-time employee with our firm.

Ms. Oakar. Thank you, Mr. McHenry. I appreciate that.

Mr. Chairman, I just wanted to say for the record, and I don't know if what you did was worth it or not, to be honest, Mr. McHenry, but when Ms. Gilkey's group did the work for Lakeview—and they spent about 2 years and they are still working on it, including their expenses—they got paid about $19,000. So there is a little bit of disparity in terms of who gets paid what. Mr. McHenry, you are in business so obviously you are going to try to get whatever you can. But the thing that is discouraging about this is that there wasn't competitive bidding in that case. It is a little bit different in terms of salary. I can attest to the fruits of the work that Bertha did. She came as a bargain.

Mr. McHenry. I would like to point out there wasn't a competitive bid in either case. I would like to point out we make no apology for our fees. We have been selected by HUD to develop and have developed for HUD—our firm—a manual on how to do management reviews in public housing authorities. We were selected by NAHRO to develop performance standards and a system to implement those performance standards and do management planning for public housing agencies.

I consider us to be probably one of the two or three most professional firms addressing the needs of public housing management. I certainly make no apologies for our fees or the work we do.

I would like to point out one other thing; we are now stopped in our tenant management program, at Riverview because of some opposition. I would like to ask Mrs. Oakar if she would give support to that tenant management program, and then they could go forward in the Riverview project.

Ms. **Oakar**. Let me just say this, going back to Ms. Gilkey for a second. She worked for a year without getting paid, period. So, no, I will not support that project if I feel that the money is going to be manipulated again, as the audit states. If the residents are handpicked by the Director, then we know what is going to happen. You may not be as familiar with the situation.

If it is a free and open election, the way some people would like it to be, then I would certainly support it. I think that would be terrific but I sure don't approve of paying all you consultants a good percentage of the money and having this sort of "good old boy's" network go around and around with Gail Livingston, the former assistant being on your staff, and you get $75,000 and on a doabie program that worked, they get $19,000.

Why don't we hire Bertha for that? We could have saved a lot of money. We know the results of that kind of work. I know she is not interested but I will tell you something you better believe, unless it is a free and open election, I would oppose that.

Mr. **McHenry**. Mr. Chairman, I will publicly state I will be happy to withdraw from that contract and allow Bertha or anybody else to do it if the tenants can have tenant management in that program, and Mrs. Oakar would withdraw her objection. I would like to state Kimi Gray organized that election, she was hand picked, and the League of Women Voters supervised it.

Ms. **Oakar**. I don't think that is true.

Mr. **McHenry**. Call Kimi Gray up here and ask her.

Chairman **Gonzalez**. I will at this point intervene——

Ms. **Oakar**. Thank you, sir.

Chairman **Gonzalez**. And suggest to my very distinguished and very lovely companion to not take advantage of this hearing to personalize or cast reflections on what would be the professional competency of a private firm. I think that in the context of the developments in the District and Cleveland and the particular housing management, those I think stand on their own footing.

Ms. **Oakar**. Thank you, Mr. Chairman.

Chairman **Gonzalez**. The witness has accepted our invitation to appear here on a subject matter unconnected with a specific contract.

Ms. **Oakar**. Thank you, Mr. Chairman.

Chairman **Gonzalez**. Mr. Rigby.

STATEMENT OF ROBERT J. RIGBY, EXECUTIVE DIRECTOR, HOUSING AUTHORITY OF JERSEY CITY, NJ, ON BEHALF OF THE COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

Mr. **Rigby**. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am Bob Rigby, executive director of the Jersey City Housing Authority, and I am testifying today on behalf of the Council of Large Public Housing Authorities. We thank you for the opportunity to do so.

I must say as an administrator, if my condition right now is one of not having been beat up by Bertha I wouldn't want to be around, when she does beat up on one.

On a personal note, I would add that testifying today represents somewhat of a sense of visiting an old friend. You probably don't remember, but 10 years ago almost to the day, I testified before this committee, and I think there was the chairman, myself and two residents, and it was about the early efforts of the A. Harry Moore Tenant Management Corp., then a fledgling TMC, and about its early efforts to turn about conditions on the site.

Chairman GONZALEZ. If the gentleman will yield, I wasn't chairman then, but I was here at the hearing.

Mr. RIGBY. You were the only one here, I think.

Chairman GONZALEZ. I think I was. And the chairman at that time was the Honorable Bill Barrett, who has since passed on, from Philadelphia. And he used to introduce me as Mr. Gonzalez, Mr. Public Housing, and since the hearing had to do with what was then sort of a pioneering, vaguely understood concept, I was intensely interested, and I seldom—I might have missed some meetings, but I seldom missed a meeting that had to do with public housing, so Mr. Barrett would say "Mr. Public Housing" every time, and I have been through the very harsh periods of the 1960's and 1970's in which public housing was particularly threatened of course, I wasn't here in the 1950's, in which actually a Republican saved public housing, Senator Taft from Ohio.

But the false economy involved in such constructions as the Pruitt-Igoe in St. Louis, which is with the consequent destruction of that project, should have given us in the Congress an idea of what the economy really is and what the false economy is, and we have gone back to that cycle of the Eisenhower years, and we are demanding, as the case was then, that no matter what the merit of a program, it would have to be viewed from this narrow tunnel vision of a computer pointing to the numbers in the budget, and that is what happened with Pruitt-Eigle—the idea was how can you expend a minimum of x dollars with a maximum of y units? And nobody stopped to think about the design.

I visited that project when it was half way deteriorated, and then I visited it when it was practically gone. And one of the tenants there asked me—this was a very humble American, probably didn't have much formal education, he said, "Do you have anything to do with this?" I said, "No, not really. I am here visiting as a member of a committee." He said, "Well, who thought up this project, was it somebody from Asia that was thinking of us being Asian?" I said, "What do you mean by that?" "Well, who would think of putting a family in a four-bedroom on the 10th or 11th level with children without having the consequent destruction?"

And then he came over and showed me how these transom windows used to open up all the way from the top floor to the bottom, and the favorite pastime of the kids living up on the top floor was to drop a Coke bottle right through all the transoms, and then the transportation within the building. So there is no question about it, you do have very foolish decisions, all of which are praised at the moment as being cost saving, but in the long run are very destructive and expensive.

One reason I am delighted you are here is I like your presentation—in fact, I thought you had reappeared before the committee subsequent to that.

Mr. Rigby. For different topics.

Chairman Gonzalez. I believe so. I remember you. I do remember that occasion because it was decided to go ahead and conduct a hearing, even though we didn't have a quorum, but it was public housing and I made a point to be there, but I do recall, sir.

Mr. Rigby. Both yourself and we think members since that time have come a few miles, and we have learned a few lessons. And our testimony today is really based on a decade of experience.

If it is all right with the chairman, what I would like to do is outline first our position and then maybe give some substance to the lessons about tenant management and then comment on the pending legislation.

Chairman Gonzalez. Yes, sir.

Mr. Rigby. As to our position, we found that for certain public housing communities resident management has been and remains and for others it may become an effective approach to site management. We concur with our colleague from NAHRO, Mr. McHenry, and our good resident colleagues this morning in terms of their descriptions of the effective possibilities resident management offers.

Also, it may in fact be a springboard for related social and economic community development activities, as was testified to this morning. However, it is a very, very demanding endeavor, and it requires a substantial and sustained commitment by both residents and PHA's, and it requires a reasonable base of organizational experience.

In turn, for some public housing sites, it may indeed not be an appropriate approach, and for others it may be an appropriate approach but not at the current time, not until they build up some organizational base. We think the policy that flows from this is when and where public housing communities and housing authorities find it an appropriate means of dealing with management and other issues that it should be fully supported.

In fact, CLPHA has a half dozen of its members which have had active programs since the late 1970's. However, when local housing authorities or residents do not find it appropriate, it should not be urged upon them. That, in fact, might be counterproductive.

Consistent with this policy, we feel the Federal posture, especially regarding modernization and operating subsidy, should treat all public housing sites and communities equitably and remain neutral in terms of favoring or not favoring one form of management over another.

A final point, I would term it one of support and survival, the best thing this committee, this Congress can do for tenant management and public housing is to reject the deferrals and recisions that have been proposed for 1986 housing, especially modernization, to insure 1986 moneys are expended in 1986 and not held over as a dodge for a 1987 appropriation and, in fact, insure that there is a 1987 appropriation authorization for public housing in both the operating subsidies and modernization side. It is essential these bulwarks of the program be supported because tenant management is a partnership between the authorities and the residents, and whatever is stripped away from either the tenants or the authority will weaken and diminish both.

In fact, if even 10 percent of the proposed cuts are approved, the partnership, I would suggest, would not be diminished but be destroyed.

As for lessons, as Mr. McHenry mentioned, we are aware of about two dozen programs that have been active for a significant period of time in which enough evidence has been gained to make some judgments. This is somewhat limited and the vast majority happens to be managed in a conventional fashion. Nonetheless since our experience is about a decade, we feel we have sufficient lessons to offer some ideas on what tenant management is and what it is not and what makes it work.

First, as our resident colleagues this morning have so ably testified, we think it has a good record. Where the tenants have been given a chance of support and it was a serious endeavor, it has worked well. We think a variety of studies have documented this, adding credence to what has been testified to this morning, not only on the hard real estate indicators, but also on the social side, reassertion of social control, improvement of security and some employment creation and certainly the sense of self determination that was mentioned by the residents earlier.

Second, I think it was already mentioned tenant management is not just an "it." There are many different forms of it. There are many different forms of the tenant corporation itself and of the interrelationship, ranging probably from the Bromley Heath Corp. in Boston at one end, which is almost an entirely wholly owned corporation, the employees being employees of the corporation, to a new group in Louisville, a private sector—TMC joint venture and that is how they are managing the particular development. The diversity also holds true to the scope of activity covered and the character of the sites involved. So it is not a uni-dimensional phenomena.

Next it is a very intensive enterprise. It is, on the one hand, one of tenant management's greatest assets and, on the other, one of its greatest obstacles. Because the residents live in the developments, they are obviously in a better position to respond, to know, to be sensitive to needs, priorities, et cetera.

There is probably no rival to that. On the other hand, as was again brought out this morning, that same community intimacy has a second edge, a much tougher one, and examples of Reverend Blount's car being smashed, which I can attest to, and the threats on the other principals are I doubt very much in the slightest way exaggerated, and there are probably a dozen more items that could have been brought up.

It is a tough ball game on the tenant's side because essentially, as opposed to even the best of us bureaucrats, they never get home from the office because it is right there. They are always available, and office hours really do not close.

It is also very intense merely because of the character of the population. The chairman brought out public housing indeed serves the poor, and poor people have a tougher time dealing with all sorts of things. And the intensity and importance of resolving issues is critical, it is not discretionary, and the character of any of the developments does not assist in multifamily living. Combine the poverty and design parameters, and you heighten the degree of difficulty.

These are the kinds of parameters most of the TMC's are dealing with. What you see as required by that kind of situation that was alluded to by my colleague, Mr. McHenry, is that you have to have a stable leadership, and you have to have experience at other activities less ambitious than tenant management. Tenant management is not where one starts, it is not something that can be grappled with overnight.

Jersey City is the epitome of it because we have two very successful TMC's. We have one that was an utter failure. We are in essence still paying for it today. We have a fourth that is modeled more closely after our first two, and that we find holding great promise.

The second point is it takes time. The training that was referenced this morning takes an average of 12 to 18 months. Tenant management isn't something that one says "Let's do it tomorrow." You have the elected board, which is the usual form, and its staff needs to go through rigorous training both on the job and in the class room. The adjustments of both the residents and the authority, the different roles and interrelationships have to have time to evolve. People need to get used to changing interrelationships.

Next I would say that tenant management is not magic, rather basically a mechanism. Bertha may be the exception to the magic. For the most part, it is a mechanism to deal with a variety of problems that exist in real estate management and the community in a variety of areas. It is not going to wipe away poverty and teenage pregnancy and a variety of other larger issues overnight or even in the longterm because it is a solution, a tool, an approach which has to be combined with very many others.

I think it has been said enough already, that it basically also is a partnership, and that point has been well made and just cannot be emphasized enough.

The final observation is that it is critical that, if a site is going to tenant management, they have sufficient capital improvements, and it is probably the simplest point to understand and probably the one the committee can do the most about. Without the basic capital improvements required at public housing sites that have been long neglected, there is no form of management that will suffice. If the roof needs to be fixed, the boiler needs to be replaced, you are not going to get a very receptive response from residents suffering these ills, be it a bureaucrat, Congress, or a tenant. The basic plant must be preserved.

Regarding the current legislation, it is CLPHA's understanding there are at least two bills pending, one by Mr. Fauntroy and one by Mr. Gallo, and there had been a previous bill by Senator Armstrong. We have submitted, and if you would accept for the record specific comments on the individual clauses, I will confine my remarks to a few general ones.

First, with all due respect to the sponsors, and indeed that is meant sincerely, as I mentioned before, the committee has been most supportive of public housing in its efforts, and we certainly recognize that, but nonetheless we just find that, particularly at

AVAILABLE

this time, tenant management and housing authorities involved in it have somehow gotten along without special Federal legislation on the subject for about a decade now. And HUD even has rules and regulations proposed regarding tenant participation and tenant management which offers another more specific framework through which a program could work.

Why, at a time of what we can only characterize as brutal budget battles on very very large issues, special legislation is required is unclear. Nonetheless, if in fact it is the committee's or any other committee's intention and decision that special legislation is required, we have some specific comments on them.

We first would offer to make ourselves available to any of the committee members or staff regarding the individual clauses and to work with you in a constructive way to fashion the legislation. There are some particular ends that we think need to be addressed. First, the sense of the bills, I think, is fairly unmistakable, that tenant management is a given and superior form of management as opposed to an option that is available. I think it would be a disservice both to tenant management as an endeavor and public housing in general to couch it in other terms than the latter.

Second, the clauses relating to operating subsidy and retention of excess income, the intention of the clauses are indeed excellent. As has already been mentioned, we would highly recommend them to be applicable to the entire Public Housing Program. They, in essence, are commentaries on reforming the performance funding system more than just for tenant management, retention of excess income is something CLPHA and every other housing organization that has existed since the beginning of public housing, or at least since the beginning of the operating subsidies that we know, in the mid 1970's, has commented on. The lack of incentives and disincentives, those are items that apply to the entire program, not just tenant management.

In the absence of that reform, we would suggest that, in fact, if the language of the bill is followed precisely, sites that are not managed by tenants would end up being treated inequitably. They would lose resources which they would otherwise get and by regulation have a right to. Obviously if you change the law, it supersedes the legislation. But their inequity of treatment solely because of the form of site management—we doubt this is the intention of the bill, but that is the consequence because of the nature of how the performance funding system is calculated.

Also regarding modernization, the bills call for priority for CIAP. I think, as has already been noted, and I would emphasize tenfold, that first we ought to make sure we have a CIAP Program before we start moving into set-asides, and a CIAP Program that includes more than emergency elements, that includes a comprehensive component that would allow housing authorities to continue modernization that they have started, the planning that they have completed, the work that the tenants are expecting and are waiting for.

Second, again the positive intention of the clause is somewhat undermined because if a housing authority site is not managed by a tenant management corporation and, in fact, has a higher or equal to cost-benefit ratio under current HUD rules, they end up not getting modernization funds that they would have otherwise been entitled to solely because of the form of management. That we find as an inequitable treatment.

Additionally, for the TMC's that CLPHA had experience with, none have ever needed anything special. They are all extremely gutsy operations, and have done fairly well in terms of modernization and other funding and do not appear to need, in some cases I don't even think would want, any special treatment.

Again, there are other points in the bill, I think Mr. McHenry's one was a good one in terms of waivers proposed. I feel similarly about that as to changes in the performance funding system, that there are reforms that would be appropriate for the entire program as opposed to just tenant management sites.

Again, we would emphasize our willingness to work with committee members and staff on drafting the legislation if it was so decided.

Thank you again for the opportunity to present these comments.

[The prepared statement of Mr. Rigby follows:]

PREPARED STATEMENT OF ROBERT J. RIGBY, JR., EXECUTIVE DIRECTOR OF THE HOUSING AUTHORITY OF JERSEY CITY, ON BEHALF OF THE COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

March 25, 1986

TENANT MANAGEMENT TESTIMONY
Council of Large Public Housing Authorities

Mr. Chairman, Members of the Committee, I'm Bob Rigby, Executive Director of the Jersey City Housing Authority ('76 - present) and am testifying on behalf of the Council of Large Public Housing Authorities.* We thank you for the opportunity to appear before your Committee and offer our comments about tenant management.

I would add a somewhat more personal note, that testifying today represents a strong sense of re-visiting an old friend. Almost ten years ago ('77) I testified before this Committee about the early efforts of a then fledgling Tenant Management Corp. working with a (then) rookie Housing Authority staff to turn about seriously deteriorated living conditions at a Jersey City public housing project. If I may quote from the record, it was stated that,

> We have taken the first precarious steps toward turning urban frustration, anger and despair into positive, mutual action ... and hopefully will make more humane our urban centers.

Since those first steps, supported in no small part by this Committee, Jersey City and its CLPHA colleagues have logged many miles and learned even more lessons. Our comments today are premised in that decade of experience.

With the Committee's permission, I will first outline CLPHA's basic sense about tenant management, then try to add some flesh to the position by reviewing actual experience with TMCs and finally comment on the related legislation which we understand to be under consideration.

The CLPHA Position

1. Points of Analysis: For certain public housing communities and PHAs, resident management has been and remains (and for others it may well become) an ef-

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* CLPHA has 40 member PHAs, which together own and manage slightly over half of the public housing stock nationwide.

The CLPHA Position (cont.)

fective, alternative approach to site management. And, may also be a springboard for related social, economic and community development initiatives.

Tenant management is, however, a demanding endeavor requiring a substantial and sustained commitment by both residents and PHAs, and requiring a reasonable base of organizational experience. In turn, for some public housing sites and PHAs tenant management may not be an appropriate form of site management, or it may be an approach to be initiated only after additional experience is gained at less ambitious endeavors.

2. Points of Policy: Where and when public housing communities and PHAs find tenant management appropriate, CLPHA fully supports the enterprise; in fact, at least a half dozen CLPHA members have had active TMC programs for many years. When, however, local principals do not find a TMC strategem appropriate, it should not be urged upon individual sites or PHAs.

And, consistant with a policy premised in local determination, is a federal posture which ensures equitability of treatment, especially in terms of operating subsidy and modernization funding, among all public housing residents, notwithstanding the form of site management.

3. Points of Support ... & Survival: The Committee and the Congress can be most supportive of tenant management and the public housing program by emphatically rejecting proposed recisions and deferrals of '86 appropriations, by ensuring that '86 funds are in fact expended for the public housing program in '86 and by ensuring adequate funding of operating subsidy (@ 100% of PFS) and modernization (including a "comprehensive" component of CIAP) for '87. This is especially the

case because tenant management is fundamentally a partnership between site residents and PHAs; if critical resources are stripped away from either, the capacity of both will be diminished.

TMC Experience & Lessons

As the Committee is probably aware, our impressive TMC colleagues who spoke earlier this morning, and the PHA programs within which they operate, remain the exception to the more conventional forms of management which predominate throughout the public housing program. In turn, our experience with tenant managed public housing sites remains relatively limited.

Nonetheless, where we have had and continue to have TMCs, it has been for approximately a decade, thus somewhat compensating with duration for what is lacking in breadth.*

From this experience we have learned some valuable lessons, suggestive about what tenant management is and is not, and what it takes to make it work.

A. A Good Record - When and where certain resident councils have been given a chance to manage their respective public housing sites, they have done relatively well. Quite consistent with the TMC Panel's earlier testimony is a major finding of a recent study conducted by Robert Kolodny for the Department of Housing & Urban Development,

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* In particular, the Boston version, from the early 70's; the St. Louis version, also from the early '70s and which served as the prototype for the National Tenant Management Demonstration Program, including, Jersey City, Louisville, New Orleans and Rochester, since the late '70s.

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TENANT MANAGEMENT TESTIMONY
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TMC Experience & Lessions (cont.)

> A basic finding from the four demonstration sites is that resident management corporations can operate difficult family developments and, operate them well. [1]

The study also gave high marks for "reasserting social control," creation of some "employment opportunities" and an "increased sense of self-determination and self-respect." [2] CLPHA's members more than generally concur in the assessment.

Admittedly establishing direct causal linkages between improved living conditions and tenant management per se probably cannot or at least has not yet been accomplished. Neither TMCs nor PHAs have had the luxury of classical or even quasi-experimental research designs. Other simultaneously intervening factors almost always muddle the case. However, the qualification in no way diminishes the vitally important contributions tenant management has made in improving the quality of life within certain public housing communities. [3] Indeed there is evidence that had it not been for tenant management, a number of individual developments would have had their epitaphs written long ago.

B. A Diverse Set - The structure, scope and site character of tenant management efforts is not unidimensional. It has been and should be adapted to local needs and preferences. Some examples - structure ranges from Boston's TMC, for the most part a wholly independent operation, with all site workers employed by the TMC; to St. Louis' and the National TMC Demonstration sites, where TMCs are "hybrids," with management staff being TMC employees and maintenance workers remaining PHA employees under the direction of the TMCs' site manager; through a recent Louisville entry (the PHA's second site), a joint venture between the site's TMC and a private real estate management corporation.

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Council of Large Public Housing Authorities

TMC Experience & Lessons (cont.)

Scope of activities and concentrations range from St. Louis' remarkably broadened enterprises in community development, including joint ventures in new construction, to (according to recent testimony) Washington, D.C.'s extensive efforts in job creation, through Jersey City's more modest, continued focus on daily management of the real estate.

Site character also has a wide range, from the "vintage" '50s high density, high-rises of the northeast, through classical '40s low-rise stock of the southeast, to more recent, '60s, scattered sites as in Rochester.

C. An Intensive Enterprise - Tenant management is a very intensive endeavor; it takes site management to a plane well beyond the norm. It is precisely this intensity which makes tenant management such a potentially effective force for change, yet simultaneously presents the enterprise with one of its toughest obstacles, especially on the resident side of the equasion.

With management principals also being site residents, tenant management offers a readily accessible presence to give direction and respond to site problems and priorities. And, a presence where knowledge of site conditions and consumers cannot be rivalled; neither management "insensitivity," nor tenant "hustles" allowed.

However, this same community intimacy has a second edge. TMC principals also provide a ready focus for tenant frustrations, blame for what "goes wrong," what isn't done, in the case of evictions, what is done, ... etc. Although this is the case with any local official, the qualitative difference for TMC Board and staff is they never quite get to, "go home from the office...."

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TENANT MANAGEMENT TESTIMONY
Council of Large Public Housing Authorities

TMC Experience & Lessons (cont.)

The intensity of tenant management is further heightened due to the particular character of typical public housing developments. With concentrated populations of very poor families, housed in often poorly designed and capital improvement starved developments, the gamut of problems to be confronted is long and the stakes involved in addressing them are acutely important.

D. Stability & Experience Required - Following closely the previous point, it appears quite clear that tenant management indeed tests the mettle of site residents, especially TMC Board and staff. A stable tenant leadership and significant organizational experience at less ambitious endeavors seem prerequisites.

Jersey City's TMC efforts provide a case in point. At the two sites where tenant management has been effective, 90% of TMC principals had been involved in leadership roles for over 6 years and the developments had been involved in sponsoring organizational activities (e.g. security patrols, recreation and educational programs, youth and senior activities, ...) for at least 3 years prior to undertaking tenant management.

At a third development, where tenant management was tried but failed to take hold, site leadership had been erratic and the site had not achieved less ambitious objectives prior to initiating a TMC.[4]

At a fourth development where tenant management was recently undertaken (6/85) and where every performance indicator seems thus far most promising, resident leadership and organizational experience mirrors that of the first two (successful) sites. The Jersey City case seems quite consistent with the experience of other CLPHA members; leadership stability and at least some organizational experience seem fundamental to an effective TMC.

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TMC Experience & Lessons (cont.)

E. It Takes Time - Tenant management is an evolutionary process taking much time, nurturing and growth; it isn't something a community or a PHA whips up overnight. Two prime examples: Training - from the time even a somewhat experienced site organization begins the TMC process, Board and staff training usually requires between 12 - 18 months, especially when reasonable OJT is included. And, Role Adjustments - both TMC and PHA actors need sufficient time to learn, develop and adjust to new roles, and to adapt interrelationships accordingly, including everything from new lines of authority and communication through mutual, detailed planning and problem solving.

The hundreds of meetings, thousands of hours, putting out fires, building coalitions, searching for resources ... also fill in any breaks in the action.

F. It's A Mechanism, Not Magic - Just as Tenant management is not a placebo, nor is it a panacea for public housing ills in particular, nor for poverty and its corollaries in general. TMC principals face the same widening gap between needs and resources as do local housing authorities. Operational contexts and parameters do not alter with the form of site management - budget constraints, local politics, other bureacracies, the persisting incongruities of HUD policy and practice, the critical need for 100% funding of the PFS, the relatively low standing assisted housing (barely) holds on the national agenda, the declining political power of the poor, ... - none disappear by waving a tenant management wand.

What tenant management does offer, however, is a mechanism through which the human and institutional resources of a community and a local housing authority can confront these seemingly intractable issues. It offers a vehicle through which

TMC Experience & Lessons (cont.)

residents and PHAs, amidst a changing complex and increasingly hostile political environment, can attempt to control at least some aspects of their lives, with the only guarantee being that there aren't any.

G. A Partnership - Tenant management is fundamentally a partnership between public housing residents and PHAs. Only the combined talents and resources of both can hope to confront the difficult and complex task of improving and sustaining improvement in the quality of residential life at involved public housing communities.

If a TMC approach is to be effective, both parties must make and sustain a disciplined and unswerving commitment to make it work. Amidst the pushing and shoving of people and programs and notwithstanding the ever present list of other things that people must do to get on with their lives, the commitment to the partnership is the sine qua non of tenant management.

H. Capital Improvements(CIAP) - The need for sufficient capital improvement funds is offered as the final observation, because it is the simplest point and the one this Committee can do the most about. (I'm certain some of the other points either were put inadequately or may loose substance in the translation, this point should not.)

No form of site management can compensate for (often) long neglected and basic capital improvement needs. Admittedly improved maintenance and reduced vandalism contribute to the condition of site facilities. However, when the 20 - 30 year old boiler is broken, it must be replaced. If poor site design exacerbates site security, it should be altered. If residents must wrap

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TENANT MANAGEMENT TESTIMONY
Council of Large Public Housing Authorities

TMC Experience & Lesons (cont.)

blankets around their children & keep them in the rooms where there aren't any roof leaks, they will not be at all receptive to admonitions to "get involved," notwithstanding if the speaker is a bureaucrat or another resident.

For tenant-managed sites, for sites that will become TMCs and for any public housing development, there is no substitute for, nor way to circumvent the need for sufficient modernization funding. Besides fully funding operating subsidies, there is no more supportive action that this Committee can take on behalf of tenant management (and public housing) than to ensure the recisions and deferrals proposed for '86 are rejected, and to ensure '87 CIAP funding equivalent to '85 - '86.

Current Legislation

It is CLPHA's understanding that there are at least two currently proposed bills regarding tenant management (H.R. 4026, introduced by Mr. Fauntroy, D.C. and H.R. 4185, introduced by Mr. Gallo, N.J.) and an earlier version (No cit. #, 9/20/85, introduced by Mr. Armstrong, Colorado).

Specific comments and recommendations regarding these bills have been submitted to the Committee for the record; with the Committee's permission, testimony will be limited to a few general remarks.

First, with all due respect to the sponsors - and that is meant most sincerely, for as previously noted this Committee and most of its members have indeed been stallwart supporters of public housing - and with due recognition of the good intents of the sponsors, we cannot help but initially react that public

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Current Legislation (cont.)

housing communities and PHAs have initiated, persued and done relatively well with tenant management efforts for over a decade without any federal legislation. Why it is needed at this juncture, amidst what can only be characterized as overarching, if not brutal budget battles, is not quite clear.

Additionally, the Department of Housing & Urban Development has recently published proposed rules and regulations covering tenant participation and tenant management. Although there are points which CLPHA would comment upon and recommend amendments to prior to the regulations being finalized, the proposed regulatory framework seems adequate for addressing the issues.

Nonetheless, if it is determined that new legislation is in order, CLPHA would respectfully ask to work with the involved legislators toward the following general amendments of the proposed bills:

1. The bills as written give the distinct impression that tenant management is a given, if not superior form of site management. We would suggest that it is an effective approach, but only in certain circumstances and depending upon certain conditions. Tenant management is better framed as an available option, not a given.

2. The protective intention of the clauses relating to "operating subsidy" seems clear and indeed supportive of TMC efforts. Also the incentive intention of the clauses relating to "retaining excess revenues" also seems clear and supportive.

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Current Legislation (cont.)

However, due to the particular rules currently governing the calculation of PHA operating subsidy eligibility (PFS), the consequence of the proposed clauses would be to reduce fiscal resources for non-TMC sites, resources which they would otherwise receive; thus resulting in an inequitable treatment of non-TMC sites (or put obversely, of the vast majority of public housing sites).

Protections and incentives for TMCs need to be approached without creating differences in treatment, based solely on the form of site management.

3. The clause relating to modernization funding calls for TMC-managed sites to receive priority for CIAP funding.

First, as already noted, it is critical that we ensure that there is a CIAP program, including a "comprehensive" component, in '86 and '87.

Second, and again, the positive intention of the clause is undermined by the consequence that non-TMC sites (with equivalent or greater modernization needs or under HUD's current ranking system, that have equal or higher benefit - cost ratios) would become "second class citizens," and not receive funding which they otherwise might have received. Besides the equitability of treatment issue, a CIAP priority for TMC sites sets an incentive structure which may indeed be counterproductive to the entire tenant management effort. And, the TMCs with which CLPHA is familiar have done reasonably well on their own merits in receiving modernization funds; they do not appear to need (nor, in some case, wish) a special designation.

Current Legislation (cont.)

Again, we would emphasize that our comments are offered with the same good intentions with which the referenced bills were drafted, and that if there is to be related legislation, CLPHA would welcome the opportunity to participate in formulating such.

On behalf of CLPHA, thank you for the opportunity to present these comments and much more appreciation for your continued support of the public housing program.

RJR

Footnotes

1. Kolodny, Robert, What Happens When Tenants Manage Their Own Housing?, National Association of Housing & Redevelopment Officials, Wash., D.C., for U.S. Department of Housing & Urban Development, 1984.
2. Kolodny, op. cit.
3. For a more detailed commentary re: tenant management performance and causality, see, "Estate Residents: Focus for Revitalisation of Distressed Public Housing", by Robert J. Rigby, Jr., presented to the International Federation for Housing & Planning, the Netherlands, seminar on "Approaches to the Improvement of Social/Public Housing", Newcastle-on-Tyne, England, April '85.
4. Rigby, Robert J., Residents As Resource: A Public Housing Management Demonstration, NJ State Dept. of Community Affairs, Trenton, NJ, '81.

3/86, RJK

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

1 SECTION ___, ___, ___: PURPOSE

All 3 bills state the purpose as, "to encourage increased resident management ..." (Gallo's doesn't have "increased") and to improve living conditions by ... with each bill listing the highlights of the content of the bill.

COMMENTS & RECOMMENDATIONS

An increasingly accepted assessment of tenant management (which will be reiterated in later sections) is that RMCs may be a most appropriate and effective means for improving physical and social conditions for some public housing communities; however, for others it is not. The bills do not reference or recognize the latter point.

RECOMMENDATION: a simple amendment could be to add "ENCOURAGE INCREASED OPPORTUNITY FOR..." thereby framing RMCs as an option rather than a given.

Another version could include language to the effect that, "...IS TO ENCOURAGE RESIDENT MANAGEMENT WHEN AND WHERE A RESIDENT COUNCIL AND PHA FIND RESIDENT MANAGEMENT APPROPRIATE..."

3/86, RJK

2 SECTION ___.___.___: RESIDENT COUNCIL OK

RECOMMENDATION: Suggest some language to the effect that, "THE DECISION TO INITIATE AN RMC SHALL BE MADE IN A REASONABLY DEMOCRATIC FASHION, INCLUDING THE MAXIMUM PARTICIPATION BY SITE RESIDENTS AS IS POSSIBLE."

OR, an amended version of an abstraction from the 1/9/86 C.F.R., Vol. 51, No. 6, re: Tenant Participation and Tenant Management,

> "The proposal (for RMCs) requires that tenants establish a tenant management corporation (TMC) before entering into a contract with a PHA. The TMC must be approved by the recognized TO, if one exists. A TMC and TO may be one and the same organization, as long as the definitional elements of each are met. A TMC must be incorporated under the laws of the jurisdiction within which it contracts to work. It must also be representative of the tenant population or populations it is serving."*

COMMENTS ... (cont.)

Re: "Feasibility of Establishing an RMC..."

This part of the clause is worded as if tenant management is a definable product with known input-output relationships, i.e., if A, B & C are present (inputs - such as: demographic characteristics, management indicators, organizational experience, ...) then tenant management (output) is "feasible." And by implication, that a tenant management output will result in known outcomes or impacts.

In an effort as embryonic as tenant management, and even in more mature enterprises involving the interaction of people and organizations amidst complex and changing political and socio-economic environments, much more is unknown, unpredictable, ... than known, least of all precise interrelationships between inputs, outputs and outcomes. The variations in initial conditions, program design, implementation, content, intervening variables ... far exceed either our knowledge or our ability to control such factors.

There appear to be some relevant factors which would be given due consideration (described in available literature). However, none of these necessarily lead to a, "Yes an RMC is (or is not) feasible" decision. We simply don't know enough about making up the odds for "success" (However that is defined).

If the point of referencing "feasibility ..." is simply that the decision to initiate (or not initiate) an RMC effort should be well thought out, experience to date evidences that neither individual public housing communities nor PHAs have or will approach the issue frivolously.

REC.: Suggest dropping reference to feasibility and limit the clause to the need for the RMC decision to be democratically made.

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* If necessary there is also a previous clause (p. 980) which defines what a "Tenant Organization" is.

3/86, RJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

2 SECTION ____, ____, ____: RESIDENT COUNCIL OK

All 3 bills state that prior to establishing an RMC, the "...majority of adult residents shall approve the establishment of a resident council to determine the feasibility of establishing a RMC..."

COMMENTS & RECOMMENDATIONS

Comments are offered first on the consideration, formation of RMCs and second on the "feasibility" reference.

In very general terms, tenant management experience to date suggests that if an RMC effort is not supported by a broad base of site residents, it not only won't work, but also won't get off-the-ground. There appears no evidence that any specific external comment or constraint is either needed or wanted; public housing communities and PHAs have and probably will continue to work through the issue themselves in the fashion they have found most appropriate.

Nontheless, if legislators choose to comment on the topic, the following specific notes are offered:

Re: the pre-establishment of a resident council... - such seems an implausible protrayal of a site's situation, if it is seriously considering resident management. RMCs are an ambitious enterprise, one not undertaken without a significant base of organizational experience at less ambitious endeavors. The liklihood that a site would be considering an RMC and not already have an established "Resident Council" seems remote. (Obversely, if a site doesn't already have a Resident Council in place, RMCs may not be appropriate for the site's agenda, at least not for a while).

Re: the "majority of adult residents ..." - be it for establishing a Resident Council or undertaking an RMC effort, specifying "adult residents" seems an undue and maybe inappropriate constraint. Specifically, why is "adult residents" a superior form of democratic practice than "site households"?; the suggested mechanism is weighted toward households with more "adults," (or in D.C. parlance, it prefers the House to the Senate). Or, maybe a site would wish to give a "building" more weight than either "adult residents" or "households" may yield?

The point is not to promote one form of democratic process over another; rather, that there are many equally arguable forms. And, there appears no compelling reason(s) to not allow specific public housing communities, with specific situations, priorities, histories, etc. to follow their own devices.

3/86, KJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

SECTION ____, ____, ____: REQUIREMENT FOR RMC "ENCOURAGEMENT"

In Gallo only ... has clause to effect that Sec./HUD may not enter into or renew ACC, "unless Sec. finds that the public housing agency is making all reasonable efforts to encourage the assumption of public housing management by RMCs..."

COMMENTS & RECOMMENDATIONS

The clause fails to recognize that although tenant management may be a most appropriate and efficacious approach to improving physical and social conditions within certain public housing communities, it may not be an appropriate form of management, or of resident participation in project management, for many others.

Tenant Management is a very intensive form of site management, requiring significant commitment and organizational experience by the site's tenants, and analogous commitment ... by the PHA, ample training and time for OJT and role evolution, ... the list could go on for many pages. In turn, tenant management is not an endeavor to be entered into unless there is particular need and desire for such an ambitious enterprise, nor unless all involved parties have the capacity and fortitude to see it through over many years. For many site and PHA circumstances, forcing an RMC issue may generate a perverse set of dynamics and may indeed be detrimental; think of the long term implications of initiating an ill-prepared RMC effort which flops ....

RECOMMENDATIONS: drop/oppose the clause.

(P.S.: there is a following clause which calls for resident comment re: PHA efforts; given the above REC., the clause would be superfluous.)

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TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

4 SECTION ___, ___, ___: TECHNICAL ASSISTANCE ...

All 3 bills call for the RMC and the PHA to retain a "management specialist" to assist in determining the feasibility of establishing and providing training to an RMC.

COMMENTS & RECOMMENDATIONS

Training and Technical Assistance by third parties appears to be a most useful element in an RMC process, especially for the resident training phase(s) However, the bills use the words "shall select," making the TA mandatory. What if the RMC & PHA do not find the need for such?; why should they be required to retain a consultant who may not be wanted?

Also, the bills reference the TA as a "certified management specialist" or "certified by the Sec./HUD...." Who gets certified, how certification is determined and by whom, is a fire sale on confusion, delay, rip-offs and "can't we meet for dinner" politics.

Also re: the reference to feasibility ... the point was previously addressed under "Resident Councils." Suffice it to reiterate that we do not know enough about tenant management and there are too many unpredictable and intervening variables to make "Yes" - "No" feasibility determinations.

RECOMMENDATION: suggest deferring the TA issue until a latter section, specifically, "FINANCIAL ASSISTANCE." (Or simply change the clause to read, "...THE RMC in cooperation with the local public housing authority may retain outside technical assistance to assist in evaluating a RMC initiative, establishing an RMC and/or providing advice and training to the RMC and/or the PHA.")

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TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

SECTION ___,___,___: BONDING AND INSURANCE

All 3 bills require that prior to the TMC assuming management responsibilities, the TMC provides adequate bonding and insurance ... etc.

COMMENTS & RECOMMENDATIONS

Seems a reasonable point.

RECOMMENDATION: Fauntroy language appears OK; (Gallo's is a copy of Fauntroy).

(P.S.: Might be slightly improved by adding language to the effect that, "the public housing agency may/shall assist the RMC in securing the referenced bonding and insurance...").

3/86, RJK

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

6 SECTION ____,____,____: MANAGEMENT RESPONSIBILITIES

All 3 bills state that an RMC, once bonded ..., may enter into a contract with the PHA, establishing respective rights and responsibilities ... and then go on to list some topical examples which could be included. The Armstrong & Gallo Bills also state that HUD may develop a "model contract ...."

COMMENTS & RECOMMENDATIONS

It seems reasonable that the terms and conditions of the interrelationship between an RMC and a PHA be formally specified. Examples of what should be included in such a document or contract are almost limitless ...; none of the subject topics in Fauntroy appear objectionable; and the operative language is "may" (vs. shall).

RECOMMENDATION: clause OK as in Fauntroy.

Re: Gallo-Armstrong suggestion that HUD develop a "model contract" ... think of HUD's past "models."

REC.: suggest not including.

3/86, RJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

7 **SECTION ___, ___, ___: ANNUAL AUDIT**

All 3 bills require an annual audit by a CPA, with results being made available to the PHA & HUD.

COMMENTS & RECOMMENDATIONS

Seems a reasonable point.

RECOMMENDATION: Fauntroy language appears OK; (Gallo's is a copy of Fauntroy).

(P.S.: Armstrong bill throws in additional regulation for HUD review of RMC activity when HUD reviews PHA; seems an unnecessary addition.)

REC.: suggest keeping it out.

3/86, RJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

8 SECTION ____ . ___ , ___: WAIVER OF REGULATIONS

All 3 bills state that the Sec./HUD may waive federal requirements which unnecessarily increase project costs or restrict project income; some examples are given ...; income eligibility limits and rent level payments may not be waived.

COMMENTS & RECOMMENDATIONS

There are a variety of specific points which could be raised, however, such are quite secondary to the more general issue. If there are federal requirements which, "unnecessarily increase costs and restrict income ...," and which are identifiable, and federal legislators choose to address the issue, then these "requirements ..." should be waived (or abolished) for PHAs as a whole, not merely for sites managed by RMCs. (The unstated corollary to the clause as presented would be, "Federal requirements which unnecessarily increase project costs ... shall be retained for all non-RMC sites and all PHAs,"???).

Also in practical terms, it is difficult to envision how the clause would be implemented in accordance with other federal rule-making requirements or without violating principles of uniformity of treatment for all residents, form of management notwithstanding.

RECOMMENDATION: full support for eliminating unnecessary federal requirements ... BUT ONLY IF it applies to all PHAs - an admittedly unlikely prospect. Thus, (notwithstanding how tempting it is to support the Gallo language, which suggests that the Sec. make "a list of unnecessary requirements ..."), suggest dropping the clause.

If bills' authors find that "something" must be said re: "bureacratic red tape", "overregulation"..., then suggest some language to the effect that ... "If a PHA and an RMC find that certain federal requirements specifically impede the creation, development and growth of RMCs, the PHA & RMC may appeal to the Sec./HUD for a waiver of such and the Sec. shall give the appeal due consideration in terms of both the request itself* and the implications of granting the waiver for non-RMC sites & PHAs in general."**

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* preferably at Field Office level.
** probably at Central Office level.

3/86, RJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

SECTION ____, ____: OPERATING SUBSIDY

All 3 bills require (in effect) that the RMC site receive the same operating subsidy for 3 years that it received the year prior to becoming an RMC site; (Gallo references "2 years prior" and each bill has slightly different wording; but, same subsidy and reference to a pre-RMC baseline is contained in all 3 bills.)

COMMENTS & RECOMMENDATIONS

The intent of the clause seems primarily protective of the RMC site, with maybe some incentive notion tied into the protection.

The first problem with the referenced clause is that it presumes that a PHA has some version of a project based-budgeting system or at least that it "distributes" operating subsidy by site. It may not, choosing instead, or never having changed from, an accounting system under which operating subsidy is handled at an aggregate PHA-wide level. If this is the case, there is no baseline for comparison to, "the year prior to TMC management...." This point will be addressed under Part II of this section. For the moment, let us assume that there was/is some mechanism for distributing operating subsidy among a PHA's sites, and therefore some baseline for comparison.

PART I

The second problem with the referenced clause is that any specific dollar subsidy allocation does not take into account the differences in total PHA operating subsidy from year to year, (deriving from a variety of factors, primarily the PFS formula itself). The referenced requirement would result in an inequitable distribution of (relative) subsidy, and in turn, in service capacity and delivery among a PHA's other, non-TMC managed sites, with the degree of inequity being in approximate proportion to the difference(s) between total PHA subsidy in the "year prior..." and total subsidy in the subsequent 3 years. The protective intention implicit in the clause would be to the detriment of public housing residents residing in non-TMC managed sites, and thus violative of the public principle of equity of treatment. (An example is attached to this section, see Example #1).

A seemingly next best proposition, which would somewhat take into account annual fluxuations in overall PHA operating subsidy, would be to require that the TMC-managed site receive the same portion of operating subsidy, for 3 years, as it did in the year prior to Tenant Management commencing.

9 SECTION ___ , ___ , ___ : OPERATING SUBSIDY

PART I (cont.)

However, due to the nature of the PFS, this approach would also be flawed and may result in inequity of treatment among a PHA's sites. The problem derives from the fact that a primary premise of the PFS is that operating subsidy is not an entitlement. Rather it is intended to compensate for the difference between (theoretical - formula based) operating costs and non-federal revenues, including rent, interest and other income. Thus as relative non-federal revenue changes from year to year so too does operating subsidy eligibility change. Further, under the PFS, differences in non-federal revenues deriving from each PHA site have different impacts on overall PHA operating subsidy eligibility.

If operating subsidy is distributed in a strict proportion year to year, without taking into account the differential effects of each site's non-federal revenues on overall PHA subsidy eligibility, the result is that some sites would have relatively more fiscal resources, (which may be the intention in the case of TMC sites). However, they would receive such at the expense of other sites (An example is attached to this Section, see Example #2.)

If the principle of equitability of treatment among PHA sites is to be maintained, the protective intent implicit in the referenced clause must be addressed in context of the PFS as presently constituted and in turn in context of the total revenues prospectively available to each site each year.

RECOMMENDATION: (PART I): suggest amending clause to read, something like:

> Notwithstanding any provision of Section 9 or any regulation under such section [this introduction is in all current bills; it is presumed to be a necessary general qualifier ...??] THE TMC-MANAGED SITE SHALL, FOR ITS FIRST THREE YEARS OF OPERATIONS, RECEIVE AT LEAST THE SAME PORTION OF FISCAL RESOURCES, INCLUDING FEDERAL OPERATING SUBSIDIES AND NON-FEDERAL REVENUES, RELATIVE TO OTHER, NON-TMC-MANAGED SITES, AS IT HAD RECEIVED IN THE YEAR PRIOR TO TMC MANAGEMENT COMMENCING,

(P.S.: Another obvious alternative is to have HUD "hold harmless" the PHA for any additional non-federal income generated by the TMC sites [i.e. simply not count such in a PHA's PFS calculation in the three years subsequent to the TMC commencing management]. However, in the current fiscal climate, such seems a dubious proposition and may indeed be considered violative of the premises inherent in PFS as presently constituted.)

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9 **SECTION _____, _____, _____: OPERATING SUBSIDY**

COMMENTS ... (cont.)

PART II

Returning to the problem of PHAs which did not have any discernable means of distributing operating subsidy by individual sites (and therefore offering no baseline of comparison) ...

There are probably dozens of ways to "reconstruct" what a particular site would have received had there been such a mechanism. All, however, are open to argument and contention and may range from choosing a mechanism which is blatantly manipulative, through subsidizing inefficiency, to the epitomy of equity and insight. Or in other words, any reconstruction of "what might have been," is at best a tenuous exercise.

In the absence of a "superior" system, suggest using a site-based extension of the PFS itself; simply apply the PFS to the TMC site; calculate operating subsidy eligibility* and set that as the minimum that a TMC-managed site receive in any given year.

REC.: (PART II): add to the proposed alternative language,

AND NOT LESS THAN THE TMC-MANAGED SITE WOULD RECEIVE UNDER A SITE-BASED EXTENSION OF THE PHA'S PERFORMANCE FUNDING SYSTEM CALCULATION OF FEDERAL OPERATING SUBSIDY ELIGIBILITY. THIS REQUIREMENT SHALL BE FOLLOWED EXCEPT AS NOTED UNDER SECTION __________., EXCESS REVENUES."

(P.S.: Admittedly this approach carries with it the lack of incentives to generate non-federal income inherent in the PFS. Though such is not ultimately solvable, as noted in the recommended language, an exception is offered in the "Excess Revenue" clause and is referenced in this clause.)

The entire amendment could, therefore, read something like:

THE TMC-MANAGED SITE SHALL, FOR ITS FIRST THREE YEARS OF OPERATIONS, RECEIVE AT LEAST THE SAME PORTION OF FISCAL RESOURCES, INCLUDING FEDERAL OPERATING SUBSIDIES AND NON-FEDERAL REVENUES, RELATIVE TO OTHER, NON-TMC MANAGED SITES, AS IT HAD RECEIVED IN THE YEAR PRIOR TO TMC MANAGEMENT COMMENCING, AND NOT LESS THAN THE TMC-MANAGED SITE WOULD RECEIVE UNDER A SITE-BASED EXTENSION OF THE PHA'S PERFORMANCE FUNDING SYSTEM CALCULATION OF FEDERAL OPERATING SUBSIDY ELIGIBILITY. THIS REQUIREMENT SHALL BE FOLLOWED EXCEPT AS NOTED UNDER SECTION ____, "EXCESS REVENUES."

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* Using the PHA's Total Allowable Expense Level as the site's.

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SECTION ____, ____, ____: OPERATING SUBSIDY

EXAMPLE #1

A. Example of Inequitable Effect of "Same Subsidy" Requirement

In the "year prior ..." PHA subsidy = $5 mil. and the to-be-TMC-managed site received, for a variety of legitimate reasons, $1 mil. (of the $5 mil.) or 20% of total PHA subsidy. In the first (or second ...) year of TMC management, the PHA receives (for a variety of reasons) $4 mil. in total operating subsidy. The referenced clause would require the TMC-managed site to still receive $1 mil. in subsidy. Such a distribution, however, would = 25% of total PHA subsidy, thereby leaving only 75% (vs. 80%) of PHA subsidy for distribution among other, non-TMC-managed sites, resulting in inequitable treatment.*

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* Theoretically a converse example could be given, i.e., of an inequity to the TMC-managed site if PHA operating subsidy increased in years subsequent to TMC management; the probability of such seems remote in light of current federal postures re: domestic spending. And, in the unlikely event that total PHA subsidy did increase, the inequity to the TMC-managed site would be relatively less than outlined above, since there is an "at least amount" guaranteed to the TMC site in the referenced clause.

9 SECTION _____ . ____ . _____ : OPERATING SUBSIDY

EXAMPLE #2: Differential Effect of an Individual Site's Non-federal Revenue on Overall PHA Operating Subsidy. And, subsequent Effect of a Strictly Proportional Distribution of Operating Subsidy on Total Fiscal Resources Available to Individual Sites.

Let us assume that a PHA has 2,000 units, within 4 sites, each of which has 500 units, in the same overall condition, and with the same overall operating requirements and associated costs. And, let us assume that the PFS calculation of PHA operating subsidy eligibility is grossly simplified to - "OPERATING SUBSIDY = TOTAL ALLOWABLE EXPENSE LEVEL - RENT," with all other factors held constant.

As a point of departure let us say that in the year prior to TMC management, PHA subsidy eligibility and subsidy distribution among its sites was as follows:

Total Allowable Expense Level..............................$300/unit/month

(Average) Rent..$200/unit/month*

Difference/Operating Subsidy..............................$100/unit/month.

Since all sites had the same rent, (and please recall that they have the same conditions...), all sites received the same operating subsidy of $100, thereby resulting in each site having $300/unit/month of fiscal resources (i.e. $100 subsidy and $200 rent).

In, let's say the second year following TMC management, the PHA's PFS is as follows:

Total Allowable Expense Level..............................$330/unit/month

Average Rent..$226/unit/month

For three of the four sites, average rent increased from $200 to $210;
for the fourth site (TMC), average rent increased from $200 to $275.
PHA average rent is, therefore, calculated as follows:
$210 X 1,500 = $315,000
$274 X 500 = $137,500
Total Rent = $452,500
Average Rent $452,000 ÷ 2,000 units = $226.25/unit/month.

Difference/Operating Subsidy..............................$104/unit/month

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* Let us assume all four sites had exactly the same average rent.

9 SECTION ___, ___, ___: OPERATING SUBSIDY

EXAMPLE #2: (cont.)

If all sites continue to receive the same fiscal resources, then at the three non-TMC sites, where average rent was $210/unit/month, operating subsidy should be allocated as follows: $330 (expense base) - $210 (rent) = $120 (difference/subsidy). At the TMC sites, operating subsidy should be allocated as: $330 (expense base) - $275 (rent) = $55 (difference/subsidy). Thus all sites will have the same fiscal resources with which to operate, i.e. $330/unit/month. This approach would represent a site based extension of the PHA's own PFS.

Under a "proportional distribution" requirement, operating subsidy must be distributed to the TMC-managed site in the same proportion (for 3 subsequent years) as it was in the year prior to TMC management; then each site would receive 1/4 of overall subsidy, or $104/unit/month. This would result in the TMC site having $275 (rent) + $104 (subsidy) or $379 in total fiscal resources, while non-TMC sites would receive $210 (rent) + $104 (subsidy) or $314 in total fiscal resources, an inequitable result.

Thus, the protective (and incentive) intention of the referenced clause cannot be met by requiring a static proportion of operating subsidy to be guaranteed to the TMC sites, without doing so at the expense of other non-TMC-managed sites.

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TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

SECTION _____, _____, _____: EXCESS REVENUE

All 3 bills state that an RMC shall retain, "any revenues exceeding the operating costs and project costs" of the site. Each then specifies the purpose for which the referenced revenues may be used as follows:

- Improving the maintenance and operation of the project (in Fauntroy, Gallo & Armstrong);
- Establishing business enterprises (in Fauntroy only);
- Acquiring additional dwelling units for lower income families, (in Fauntroy, Gallo & Armstrong);
- Acquiring ownership of the public housing project (in Gallo & Armstrong).

COMMENTS & RECOMMENDATIONS

The following is split into 2 parts, the first addressing the "retention of revenue" issue and the second, its use.

PART I: Re: Retention of Revenue

Intent appears to be to create an incentive for TMCs to generate additional revenues and/or at least insure that benefits potentially deriving from these additional revenues accrue to the TMC site.

The first problem with the referenced clause is definitional; some examples: Do "revenues" include federal operating subsidy? Are debt service related costs included as "project costs?"....

The second problem is that the clause assumes that a project-based-budgeting and accounting system exists. It may not and there are few if any guidelines for developing such. (This issue was previously raised under the "Operating Subsidy" Section). Even if a PHA has a PBB System, numerous "cost" related issues remain problematic, e.g. how are Central Office, Administrative costs allocated; is a simple per unit prorata equitable?; How are in-kind city services accounted for?....

RECOMMENDATION: suggest using,

"estimated (or budgeted) PFS revenue (or income)," including rent, interest and other, as baseline against which "excess revenues" are defined. This would avoid using "costs" as a baseline, which would probably be a hopeless muddle. A PFS reference point sets a baseline which is known and established in the industry & with HUD, with terms already defined and at least some ($) amounts clearly specified.

10 SECTION ____.____.____: EXCESS REVENUE

COMMENTS & RECOMMENDATIONS: PART I

COMMENTS ... (cont.)

Assuming the above premise is accepted ... it would be useful to examine each PFS income category and review effects of existing PFS rules when actual revenues exceed estimated PFS budgeted income.

- Rental Income - Existing PFS rules provide for PHAs to retain any (average per unit) rental income in excess of PFS estimated rental income, in the year the income is earned. If the relevant PFS rule is simply applied to the TMC site, it would represent a short term (one year) incentive to generate additional (average per unit) rental income.

It is "short term" because under current PFS rules, any "additional rental income" is included in the PFS calculation for subsequent years, and the PHA effectively looses $1 in subsidy for every $1 of additional rental income generated.

If the TMC was "held harmless" (i.e. incurred no subsequent subsidy loss) for the additional rental income in subsequent years, but the PHA was not, it would result in an inequitable distribution of overall PHA operating subsidy (see Example #2, previously given in the "Operating Subsidy" Section.)

If the TMC and the PHA were "held harmless" for the additional rental income earned in a given year by the TMC site, such would be a longer term incentive to generate such income. However, it would also infringe upon the thusfar accepted objective implicit in the PFS rules, namely that operating subsidy is not an entitlement, but rather a supplement to compensate for the difference between non-federal income and (theoretical, formula based) operating costs.*

REC.: suggest that the bill not have any language which would reference or effectively amend existing PFS rules and regulations. Rather, have Report language which assures that involved TMC sites be permitted to retain additional (average per unit) rental income in excess of budgeted PFS estimates, in the year earned (just as PHA does).

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* Proposals to have HUD & PHAs share additional rental income (i.e. 1/2 additional income would be included in subsequent years PFS calculation, causing operating subsidy to be reduced, and 1/2 not included and, in turn, retained by PHAs without subsequent subsidy penalty) have been proposed in the recent past as an enhancement to the PFS. However, thusfar neither Congress nor HUD has expressed much interest or support for the proposition.

3/86, RJR

10 SECTION _____, _____, _____: EXCESS REVENUE

COMMENTS & RECOMMENDATIONS: PART I

COMMENTS ... (cont.)

- Interest Income - Incentives to generate additional interest income over and above PFS estimated-budgeted interest income have become marginal, due to recently enacted amendments to the PFS re: how interest income is estimated for budget purposes and how any difference between estimated and actual interest income is reconciled at the end of a given fiscal year. (reference C.F.R._____, for background).

Also, interest income is generated through aggregate/PHA-wide cash flow and investment practices, and usually has little if any relationship to individual housing developments. Further, even if it were possible to attribute a particular portion of interest income to a specific (TMC) site, the method for doing so would require a host of debatable assumptions and may generate administrative (transaction) costs in excess of any fiscal benefit to be derived from the exercise.

REC.: that the proposed bill not have any language which would reference or alter the existing PFS treatment of interest income. If anything, include some Report language which ensures that the "existing treatment" of interest income by PHAs does not result in any net loss of fiscal resources by TMC sites. Or, in the case of the PHA realizing the (marginal) benefits from the remaining opportunity in the PFS to generate "additional" interest income, that the TMC sites receive an equitable share of these benefits, as does any other non-TMC site.

- Other Income - "Other Income" is usually treated in the PFS as is rental income i.e. any additional income generated over and above what is budgeted-estimated in the PFS, the PHA gets to retain in the year earned. However, the additional income is factored into the PFS in subsequent years (presuming a recurring source of the income) and subsequent years operating subsidy is reduced $1 for $1.

It would seem that this type of income offers a reasonable opportunity to provide some incentives for TMCs to generate additional non-federal income, without resulting in any inequities to non-TMC sites, nor being substantially violative of PFS principles, nor requiring undue administrative costs.

3/86, RJR

10 SECTION ____,____,____: EXCESS REVENUE

COMMENTS & RECOMMENDATIONSD: PART I (cont.)

Other income is usually generated solely by PHA and/or individual site initiative; (it is not usually analagous to rental income, which could increase simply because individual site households increase their own income and in turn rent, in no way connected to collective site action). Also other income is not subject to extensive statutory treatment, formulas, etc., as is rent. And finally other income is easily attributed to involved sites and can be readily extracted from PFS calculations.

REC.: That the proposed bill include language which permits the TMC to retain any "other income" generated over and above PFS estimated income, (in the year prior to TMC management), and that such income not be included in either the consideration of TMC site receipt of operating subsidy or in the PHA's PFS calculation by HUD for at least the three years subsequent to the year the TMC assumed management responsibilities.*

The revised clause could read,

ANY "OTHER" REVENUE [AS SUCH IS DEFINED UNDER THE PFS] EXCEEDING THAT BUDGETED AND/OR ATTRIBUTED TO THE TMC-MANAGED SITE IN THE YEAR PRIOR TO TMC MANAGEMENT COMMENCING SHALL BE RETAINED BY THE TMC-MANAGED SITE AND SHALL BE EXCLUDED FROM THE PHA'S CONSIDERATION IN ALLOCATING OPERATING SUBSIDY TO THE TMC-MANAGED SITE AND FROM HUD'S CONSIDERATION IN CALCULATING OPERATING SUBSIDY ELIGIBILITY FOR THE PHA, FOR AT LEAST THE FIRST THREE YEARS OF TMC MANAGEMENT.

COMMENTS... (cont.)

Part II: Re: Use of "Excess Revenues"

Three (3) of the referenced uses appear relatively straight-forward: "Improving the maintenance and operation ...", "Establishing businesses ..." and "Acquiring additional dwelling units for low-income households."

REC.: OK as in Fauntroy

One use, however, is quite controversial, specifically the Armstrong & Gallo reference to "purchasing the public housing project ..."

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* There is obviously an additional way to protect both a TMC site and the PHA from incurring any disincentive for generating additional other income; namely that the income be generated by, received by and retained by the THC Corporation and, in turn, not becoming part of any federal consideration and/or review The recommended clause, however, is intended to address any TMC which does not avail itself of such an option and to insure that if a TMC avails itself of a "seperate corporation" option, that any effective opportunity for federal intrusion is precluded.

3/86, RJR

10 SECTION ___ , ___ , ___ : EXCESS REVENUE

COMMENTS & RECOMMENDATIONS: PART II (cont.)

COMMENTS... (cont.)

The "homeownership" issue has been labeled as everything from "a cruel hoax" to a "long overdue opportunity for upward mobility," from "just another attempt to destroy the public housing program and get the feds out of paying operating subsidy" to "an innovative approach to breaking the vicious and debilitating cycle of dependance."

HUD has seriously complicated the "dialogue" by taking the position that even if and when a unit, building or project is "purchased," HUD will still count such in "its" low-income inventory and it will not replace the unit in any form.

Without going into a lengthly review of the issue,

REC.: suggest dropping reference to "purchasing the public housing project (as Fauntroy did) and maybe adding the seemingly universal line "...AND ANY OTHER PURPOSE WHICH PROMOTES THE DEVELOPMENT, PROVISION AND DELIVERY OF HOUSING FOR LOW AND MODERATE INCOME HOUSEHOLDS," which would allow the local RMCs/PHAs sufficient flexibility.

3/86, RJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

11 **SECTION ____, ____, ____: CIAP PRIORITY**

All 3 bills give RMC sites priority for CIAP funding; Fauntroy & Gallo state "shall receive;" Armstrong's stated "may receive."

COMMENTS & RECOMMENDATIONS

A first, obvious point is that none of the bills specify what the referenced "priority" is to follow or be considered ahead of?? Let's assume that the bills meant to say, "after Emergency," but before non-RMC sites comprehensive applications: (if bill authors intend for the priority to precede Emergency Mod, the proposition is harmful and if the bills don't mean ahead of non-RMC sites, then the "priority" is meaningless.)

Two major consequences of the suggested priority are:

- As was the case with the bills not taking into account PFS derived effects re: operating subsidy propositions, so too would the suggested CIAP priority result in inequitable treatment for non-RMC sites. The suggested priority would result in non-RMC public housing projects (which have equal or greater capital needs and/or, as per existing modernization ranking systems, equal or better cost-benefit ratios) losing the opportunity to secure comprehensive modernization funding to which they would otherwise be entitled, solely because of the form of site management. (This would especially be the case for elderly sites or family developments with high senior populations, which seem least likely candidates for RMCs...).
- It creates a set of incentives toward the overall subject (RMCs) which has no necessary relationship with the object (Modernization) of this clause. It is not at all inconceivable (and may even be quite reasonable) for a resident council and PHA, having no desire, need or interest in RMCs, but having a critical need for comprehensive modernization funds, to initiate an RMC effort solely to receive the higher priority for Mod. And as previously noted, it would probably be detrimental for a site & PHA (& even the RMC effort as a whole) to undertake resident management if ill-prepared. Although other points could be raised, the above two appear to suffice for sustaining an objection to the clause.

RECOMMENDATION: suggest dropping the clause (and by implication, letting the current CIAP regulations and the proposed tenant participation and tenant management regulations, which permit use of CIAP funds for RMC purposes, cover the issue.) However, some special assistance is recommended under the immediately following clause re: Technical Assistance.

3/86, RJR

TENANT MANAGEMENT BILLS: DRAFT FOR CLPHA COMMITTEE

12 **SECTION , , : FINANCIAL ASSISTANCE (TA)**

In Fauntroy only ... the bill states that the Sec. may provide $'s to RMCs for Technical Assistance (TA), with some task e.g.'s listed; and that the $'s for any project may not exceed $100,000; and that the Sec. is limited to a $1,500,000 max. from '87 CIAP for this purpose.

COMMENTS & RECOMMENDATIONS

TA appears to have been and remains an important if not integral component of RMC efforts to date, especially re: resident training. Specific support for such seems a reasonable proposition (or at least as reasonable as the 1/2 dozen other CIAP set asides deemed appropriate by the Congress). And, the $'s specified also seem reasonable; (the CIAP limits cited do not preclude tapping other sources for additional funds, nor do they preclude a PHA including additional funding as part of its normal CIAP management plan).

However, special financial assistance for RMC TA should only be enacted if the Administration's proposals for '86 CIAP recissions and its "$0-Emergency Mod only" proposals for '87 are rejected by the Congress; or put positively, if there is a "comprehensive" component to the CIAP.

RECOMMENDATION: (provided above ...) OK as in Fauntroy.

Chairman Gonzalez Thank you, Mr. Rigby, for an excellent assessment. I believe the highest tribute was paid to you by Reverend Blount who happens to be the tenant management director in Jersey City when he said at the very outset that had it not been for the cooperative interests of the management, that they would not have been able to do what they have done.

So, of course you have been sensitive to that and I thought it was very, very noticeable that the Reverend did go out of his way to say, "Well, we are not here to show that the housing authorities are deficient but rather that if it had not been for their cooperative help we would not have been able to do what we have been able to do."

So the record ought to clearly underline that.

Mr. McHenry, is your company based here in Washington or where?

Mr. McHenry. Yes, sir, we are located at 1513 Pennsylvania Avenue, SE.

Chairman Gonzalez. Oh.

I think you referred to the fact that you had in the business you do, you have had occasion to call upon such persons as Kimi Gray and the others involved in this tenant management movement on behalf of working out the various situations that you contracted for.

Mr. McHenry. We contracted in 1981 with the DC Department of Housing and Community Development at the urging of Kimi Gray, incidentally. They were the one who really selected our firm but the contract was with DC Housing to train their board and their staff to take over management of the Kenilworth site.

After the training, we worked with the board and DC Housing to negotiate the contract that went into effect in March 1982 and we have been an unofficial, unpaid advisor to them since March 1982.

Prior to going into business, while I was a housing authority director, because we had been involved in tenant management and participation issues, I and a fellow named Tom Costello, the director of the St. Louis Housing Authority, was selected by NAHRO to go in and try to resolve an impasse between the Boston Housing Authority and Bromley Heath TMC on the issue of renewal of their contract that had expired at the end of the first 5 years.

It started in 1971 or 1972 and they were at loggerheads so Costello and I did that job. We basically worked with, although not always under contract, a number of the tenants. Ms. Reynolds was one of the employees who started with our TMC in New Orleans when we started that in 1976.

I did work with Bertha Gilkey over the years and others, also we believe management by the tenants will work if desired and supported by both the tenants and the management and with proper training.

It is an excellent form of management, given the proper ingredients.

Chairman Gonzalez. You were the director of the New Orleans Housing Authority?

Mr. McHenry. Yes, sir, until 1978.

Chairman Gonzalez. Very good.

The argument has been advanced that such experience as we have heard from demonstrate that public housing projects could be privatized. But when I visited with Kimi Gray, for instance, she disallowed that, she said "No, the fact that they could manage didn't mean they could become owners." Not unless they had some subsidy that would enable them to keep up maintenance and the like.

In the meanwhile there has been a very dramatic illustration of that, I believe, in the State of New Jersey, where a project was sold but what I don't remember is whether it was an out and out conventional public housing or some other form of public housing, and it was taken over and I imagine that legally title rested in the tenants' association.

Last year the newspaper announced that they had an alternative and it ended up in failure and therefore not a viable program or project.

What is your thinking with respect to privatization, so-called privatization? Or for that matter, the sale of public housing to the tenants.

Mr. McHenry. On a large scale, Mr. Chairman, it is complete folly. There are certainly isolated examples where residents perhaps could purchase certain buildings because as we talked earlier, I guess it was Reverend Blount who made the point, maybe it was Kimi Gray, there are residents in public housing today who got in when they were under the income limits, but over the years have earned sufficient income where they are now paying a very significant amount of money for rent.

There are instances, where there are enough residents in a development to purchase a building and able to operate as a co-op perhaps without subsidy. I think those kinds of isolated instances we can certainly find.

Again, on a wholesale basis, where we are talking about selling off buildings to people who are very low in income and again when we talk about people paying $600 a month, that is an isolated incident. Most people in public housing are below 50 percent of the median income and are paying very little rent and they live on fixed incomes. We worked with housing authorities all over the country and we find that the vast majority of the residents are on fixed incomes and they pay very little rent.

Consequently there is no way that people in that category—and this is the vast majority of the clientele in public housing—could not operate without a deep subsidy if they were the owners.

We are working on a project with the city of Philadelphia, it is not public housing, where we are taking a number of abandoned buildings and developing those into co-ops for low income people. We are having a very difficult time doing the financing without a very, very deep subsidy, and the city understands it is going to take deep subsidy to make those things work.

It is just not something that is an answer for the vast majority of the stock.

There is one other issue that is related to the ownership issue. It bothers me to some degree that we have today a tremendous need in cities all around this country, Kimi Gray mentioned the waiting list in DC, I happen to know that in New York City alone there are about 165,000 people on the waiting list for——

Mr. Rigby. The average waiting time is over 10 years.

Mr. McHenry. Yes; in cities all over the country there is a tremendous waiting list for low income housing, and to take that housing out of the stock without having a program to at least replace that housing, to me it seems the timing is just awfully bad.

Chairman Gonzalez. I agree with you thoroughly, but it is also ironic that the very people who have been opposed to public housing all along will seize on something that appears to be a "private enterprise alternative" or will say we do not want to be for $1 in additional new construction of housing for the poor, because by golly, you have got 37,000 vacant units right now in public housing.

Well, I would say that 100 percent of those are boarded up. Why? Because the same people that oppose public housing will not provide the funds in the sufficient amounts necessary for modernization or for salvaging that dwelling. But in the case of the dwelling unit that isn't salvageable, what it ends up is in a net loss of total available units for the poor.

What everybody forgets is that this—we are talking about in this category of shelter, we are talking about for the poor. It is a special category of citizens in our country. Of course, everyone knows that the biggest sin you can commit in our country is to be poor. There is just no bigger sin that I know of. You can be forgiven for being a crook, and be forgiven for being a sinner, but you are not going to be forgiven for being poor.

We are talking about housing for the poor. If we just could remember that, I think that some of the things that you have brought up through your experiences and observations would be self-evident.

Mr. McHenry. I would also like to point out, Mr. Chairman, you mentioned the 37,000 vacant units which as Mr. Woodson rightly said, if we could restore, would be an increase but that housing is not just vacant, it is vacant and vandalized. The only way to restore it is through substantial amounts of modernization money.

We are looking this year at a budget request that calls for only funds for emergencies. We are not even talking about restoring that stock and adding it back to the inventory. When we start talking about taking stock out, it seems to me unless we have a program to replace that stock it would be a very, very bad idea.

Chairman Gonzalez. No question about that. I agree with you 1,000 percent. To me this has been a meanness mania. I don't know how else to describe it. Just plain ordinary money. If you are going to zero out any kind of new construction, no units provided for, and we recall that as late as 1980 or 1979 we had an average 200,000 new units per year; the country has not stopped growing; kids are still being born into our families; families are doubling up and tripling up in single-family dwelling units to a point that I estimate resembles the period of overcrowdedness right at the end and during the active phase of World War II.

So, I think the essential thing—I have said this from the beginning—is do we accept the commitment on the part of the Federal Government to a program to provide shelter for the poor, modernization and the like?

It just seems to me I would place a lot more credence in what some of the people say if their track record had shown a real sincere interest in housing for the poor, and providing a viable alternative. I don't know of any program that we have developed in our country that provides shelter for the poor outside of public housing. I don't know of any. Obviously if that is the best we have done, perhaps it isn't good enough, but at least it was something and this is a problem confronting us.

Specifically with respect to H.R.4026, have you had a chance to read over that bill?

Mr. RIGBY. Yes.

Mr. MCHENRY. I am familiar with the elements of the bill, Mr. Chairman.

Chairman GONZALEZ. What is your opinion or assessment of that bill?

Mr. MCHENRY. I share the same concern that Mr. Ribgy stated. First of all, I think it is a mistake to set-aside rehabilitation funds out of the existing pot, whatever that pot turns out to be, be that pot just emergencies or be that pot a sufficient amount to continue restoring the existing inventory.

I certainly support funding of tenant management programs but if we are going to do that this year, it should be on top of the amount of money that would be made available for public housing authorities.

I certainly concur in the issue of subsidy. We got into that argument—I say we—when we negotiated the management contract for DC. housing. My good friend Kimi Gray and I had a tremendous difference on that with Kenilworth. Kimi wanted a provision in the contract that would provide a budgeted amount plus a fee. If in fact they were able to operate more efficiently or get rents up, that amount would remain in Kenilworth and give special privileges to Kenilworth, but you have in DC 60 other public housing projects.

If some of the other projects, which are conventionally managed, are able to operate more efficiently and not use all their budget, you have other projects that tremendously need that money. The money needs to be made available to improve those projects, not to go into the reserve for any particular project.

I think it is a bad idea, a very bad idea, to set up a special category as Mr. Rigby indicated, we are treating a project differently simply because of its form of management where other developments are not treated as such.

I think the issue here is if housing authorities perform better, can the housing authority as a whole, all of the projects in that housing authority, be able to keep any funds. That becomes an incentive to improve their entire inventory.

Again, the waiver issue, the special kinds of waivers that might be made available to tenant management projects, I am all for that. But that lessening of the regulations and allowing more local control for any housing authority that is well managed for all their projects is the way we ought to be going.

So those are some of the issues, Mr. Chairman, that I think the committee ought to address.

Chairman GONZALEZ. Thank you very much.

Mr. Rigby, do you have any further comment? You referred to—you anticipated my question in fact, but give me one answer.

Mr. **Rigby**. I think my testimony has basically covered it, the general sense of the bill. The specific provisions in the operating subsidy and retention of excess income which if they are in the context of the performance funding system as currently constituted without itself being reformed, would result in inequitable if not discriminatory treatment.

Again the priority for CIAP points would be those I would emphasize.

Chairman **Gonzalez**. Mr. Bartlett.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Mr. Chairman, taking notice of some of your comments earlier, both when I was here and when I was not here, I have a number of questions for the witnesses and perhaps some observations about this hearing.

I do not and never have questioned the sincerity of any member of this committee or people who are supporting the needs and aspirations and goals of public housing residents. I don't believe it is productive to do so. I think that Chairman Fauntroy has developed an awfully good piece of legislation and I think it is a piece of legislation that could move us forward and of course, members of the committee who would have a right to oppose the legislation could do that when it comes up.

The issue is not so much, as I think the two gentlemen would understand, not so much how to help public housing projects per se, but how to help the people who live in those public housing projects and the people who are eligible to live there, that is to say how to help those low income residents.

As far as H.R. 1, of which it is my hope that whatever housing legislation is finally moved and passed into law by this Congress that this legislation or legislation like this with the refinements looked at as the gentlemen have suggested, would be included in H.R. 1.

While I was gone I think the chairman, Chairman Gonzalez, suggested and others did, that perhaps they could entice me to assist in H.R. 1. I almost feel like I have done nothing but that since January 1, 1983—or January 3, 1983 when it was originally introduced in the last session.

It was now introduced January 3, 1985 of this session.

It is my hope, and I am told that there are negotiations going on which I am glad to see, it is my hope that H.R. 1 is brought to the floor, that the Congress will have a chance to look at the reforms in H.R. 1, some of which were substantial reforms, and make the decisions that have to be made; or, perhaps some negotiations could be broadened to include all the members of the committee and indeed, the various people in this country that have an interest in public housing, particularly the residents.

So as the negotiations—I am not invited to take part in them, although I would welcome that opportunity—whatever negotiations take place I hope they take place in an open manner and when the final products are brought to the floor, it would be brought up in a way in which Congress could consider it as a whole.

There are issues that are left unresolved. A number of reform issues were included in H.R. 1. They are issues that increase the livability of the residents in the public housing. It is my hope that the chairman would not withdraw those reform issues after the Housing Subcommittee of the Banking Committee adopted them.

Another issue has been touched upon here that I think will be of a fundamental nature and I would like the witnesses' advice. That is the issue within the context of the Gramm-Rudman process and the Federal budget restraints that we may face and do face. We may have a chance to face it squarely as we have never done: the choice between providing Federal funds or new construction of a limited number of new public housing units, fiscal year 1986 appropriations provided for $945 million; or using that same amount of money to provide repairs and modernization for a rapid and much faster modernization of existing units of public housing that are currently substandard.

There are real people living in those substandard units and best estimates are in the neighborhood of 200,000 public housing units are substandard in this country, no one knows precisely how many. Eighty thousand are vacant. And as Mr. McHenry said, and I am glad you said that, they are often times vandalized.

There are very real people living next door to those vandalized units, and it is causing a great harm to their lives.

So I suppose my question, perhaps of the chairman if he would like to answer, and of the two witnesses specifically, would be if this committee were to find a way to take that $945 million this year and presumably because Federal programs have lives of their own, $900 million a year for future years, and to add that to the $700 to $800 million of modernization funds a year, in effect doubling modernization, if you had that chance to make that decision unilaterally, would you make that decision or would you leave the ratios about where they are where we spend equal amounts for modernization as for new construction.

Mr. McHenry.

Mr. McHenry. You asked a very specific question, Mr. Bartlett, and I will give you a very specific answer.

I think that the first priority ought to be to restore existing stock and insure that it is livable, that it meets standards.

I think that equal priority to that, however, is any stock that is taken out of the inventory should be replaced. If in fact in a public housing authority there is a demand for low income rental housing and through a home ownership program or any other program 20 units are removed, those 20 ought to be replaced through either new construction or acquisition or whatever the vehicle would be.

I think that is an equal priority.

I also must add that when you look at the demand in many cities around the country today, such as Washington, DC, such as my home town of New Orleans, that has a waiting list of over 10,000 people, and New York City and Jersey City and many others, the question should not come down to whether we should make sure that where people are living is standard or whether or not we should add to the stock. My answer, if I am able to elaborate in a broader sense, is that at this point looking at the need for housing, we ought to find a way to do both.

Mr. **Bartlett.** If I could try to answer your specific answer, your first priority is repair the existing stock, is that correct?

Mr. **McHenry.** My first priority, I guess I have two first priorities.

Mr. **Bartlett.** They would be first and equal?

Mr. **McHenry.** First priority, any stock removed from the inventory ought to be replaced at a minimum on a unit by unit basis. And two, or equal with that, and that is the only way I can say it, Mr. Bartlett, equal with that would be that before adding to the stock after we have replaced it, I would make sure that the existing stock is standard.

Mr. **Bartlett.** Your first priority is to replace stock that is removed. That is fair.

Mr. **McHenry.** All right.

Mr. **Bartlett.** Immediately after that is to repair existing units.

Mr. **McHenry.** That is right. To make sure it is standard, the existing stock.

Mr. **Bartlett.** Mr. Rigby.

Mr. **Rigby.** Again, as Mr. McHenry said it is sort of the way you framed the question in terms of one versus the other. Given that housing community development probably has contributed more in terms of deficit reduction in the last 4 years, I think it is down 68 percent or so since 1981, to have to face a Hobson's choice is certainly restricting the frame of——

Mr. **Bartlett.** I will rephrase the question if you would like as a hypothetical.

Mr. **Rigby.** No, no, that is all right.

Mr. **Bartlett.** If you had an extra billion dollars to go into public housing, where would you put it? Let me ask you that way. Everywhere, or just a few places?

Mr. **Rigby.** No, I think it does come down to a question of degrees.

Certainly the emergency priority given in modernization has to be dealt with at an early stage in the expenditure of funds where people's lives and health are threatened. That has to come first. That is assuming that there is the money to operate.

You need the maintenance of the existing stock so that you don't end up losing more and having to replace it. Taking units off the assisted housing rolls certainly has to be addressed next. Then to the extent that a balance be struck between trying to deal with the hundreds of thousands of people waiting to get into public housing on either new construction sites and bettering themselves, more comprehensively modernization of the existing stock would sort of be looked at next.

That requires the more difficult judgmental balance after the first and certainly more emergency issue which seems to need to be addressed.

I didn't mean to have you rephrase it, but it is often asked of us like that, you have a choice, do this or that, operating or mod, new or existing. After what we have gone through for the past half decade, it is just a, we think, sort of an unfair posturing of where we are and what we have so far dealt with.

Mr. **Bartlett.** I appreciate both of your very candid and helpful answers. I would just suggest that it would be easy to pretend that

that question doesn't exist but there is, the Congress is authorizing and appropriating $950 million a year for the new construction of something less than 5,000 units, new units.

We are authorizing and appropriating substantially less than that, about 20 percent less for modernization units that are both vacant and substandard, and it does seem to me to be a question based right in not hypothetical but the reality of that authorization level, as to is that the direct ratio in terms of number of people it can help.

I appreciate your helping to think it through a bit.

I would also comment on of course your comments on the resident management matter. You have correctly pointed out, as did the residents, that tenant management is not a panacea. It is not a magic wand. It is not some sort of easy answer in which tomorrow everything will be all right. I suppose the question is and what I think you have said, if resident management is done right, it in many circumstances can make the lives of residents much more livable.

I think that is accurate. It does seem to me that there is no reason, in terms of public policy or public good, to cast it in the light of a fight between or dispute between public housing authorities and residents.

Mr. RIGBY. Not at all.

Mr. BARTLETT. Because you serve the same people in fact. I do hope that we keep it off of that.

I do concur with you by the way, and you discussed one of the exceptions that is in the bill which I support, and that is operating efficiencies—I overcharacterize it—that operating efficiencies that are saved by tenant management in performance funding be kept to be spent in other ways the following year. It seems to me the part I agree with you about is that public housing authorities ought to have that same opportunity.

We tried to put some of those provisions in H.R. 1; we were partially successful. I wish frankly that the committee had done more in terms of making that an ironclad commitment that in a public housing authority, whether tenant or more traditional operation, the public housing authority provides operating efficiencies that they should be able to use those efficiencies for the benefit of the residents that live there.

If you could make reforms in public housing, I would ask you to consider a question maybe no one has asked you, if you could make reforms in the management, modernization, or to make the lives of tenants more livable, what would you do, what would your priority be for reforms in public housing law?

The residents said their reforms would be deregulation; would be modernization; operating efficiencies; repeal of Davis-Bacon for the tenants. What would your reforms be?

Mr. RIGBY. I think I would start one step back from that. One of the most difficult aspects that authorities and residents have to deal with is every year you don't know what the ball game is. It is what is the operating subsidy going to be, what is mod, who will get it, what are the rules? There isn't another entity that I can think of that can operate that way.

When the inspector general comes in and talks about efficiencies, you are supposed to write down the ingredients for efficiency, by having an annual ball game in which the rules are not known, the stakes are not known, it just defies rational administration.

Residents want to know can we do that, can we do this, what are the consequences? Well, for the moment it is this but we cannot tell how long it will last.

That is just no way to run the airline.

I don't know if the inner workings of the congressional appropriations process allow some way to address that, but that is one of the most fundamental problems, it is a year-to-year endeavor and you never really know where you are, although most of the time you figure you are in trouble and you plan accordingly.

Mr. **Bartlett**. So, Mr. Rigby, I don't know that it takes multiyear appropriations which is seldom done in many programs. Perhaps it ought to be. But perhaps we can start with a multiyear authorization.

Mr. **Rigby**. That certainly would be helpful. If we even—the fact that we—if Congress starts the Comprehensive Improvement Assistance Program, we get direction, we start to bring up the stock, and a certain—if the level was $700 million for the year in loan authority, OK, at least we have some sense. We just cannot go through the roller coaster of having to cut that and we will just do emergency, and cut comprehensive. The budget makes the program so variable and potentially inconsistent.

But, yes, a multiyear appropriation would certainly start off helping the program be more rationale.

Mr. **McHenry**. I concur 100 percent. I think there is some movement in the proper direction now. If housing authorities are allowed to sit down and look at the long range, here is where we are today, here is where we need to get in order to have decent housing, well managed and well operated for all our people. Couple that with standards that are national in scope but then tailor them for each authority's situation. For instance, if 70- or 80-percent occupancy is what the authority ought to maintain, that is fine for an average.

We have to look at Washington and Cleveland and develop a plan over a period of time though for them and talk about the material resources, the staff resources, modernization resources, whatever they are, to get us there over time and in permissible performance that the authority would meet annually to get there.

Once we lay the programs out for authorities and have a long-range plan, have standards of performance then the Congress looks at that and the housing authority organizations and agrees to a multiyear operation. That over time here is where we expect housing authorities to go.

I understand the appropriations process and I understand that things happen and perhaps every year we won't be able to do all we want to do. But if we could have a commitment to get there, then the authorities could plan on that and be working toward that commitment. That would be a way to know because we have these increments of progress. Whether they are heading in the right direction or not, is the kind of thing we need to get to.

I think that applies to whether it is managed by a private management firm, a tenant management firm, or company, or corporation, or whether it is publicly managed. We really cannot do that now. It is a roller-coaster-type situation from day to day, and crisis management comes out of it, and will always come out of it as long as that is the way HUD, and the Congress, and everybody else looks at public housing, from year to year, with crisis and no long-range goals, no long-range plan.

Mr. **Bartlett**. Thank you.

Mr. Chairman, I thank you for the extra time.

I repeat my continued and ongoing willingness and eagerness to work with you and other members of the committee to bring a housing authorization bill to the floor.

Chairman **Gonzalez**. I was going to say to the gentleman that a while ago when he used the word "assistance," that he was proffering his assistance, looking over the record I just wonder how you define that word because you are the one that cut in half the appropriations for housing production last year, and now you are telling us this morning that that half you want to divert to modernization.

Then a lot of the other things we have been talking about here, it is not the kinds of things that had anything to do with that, for instance, if the instability, the unpredictability of the budget that a housing authority has to deal with, how much more is the deferral compounding the situation?

Now, we sent a letter to the President asking him to defer the deferral. Here is something that any administrator, particularly a mayor, every mayor that came before us when we had a hearing here just about 2 weeks ago, Republican, Democrat, what have you, all said the same thing. They said this is heinous because the President signed that law last autumn appropriating these moneys.

On the basis of that we went on ahead and made commitments. Now the President is telling us he has taken all that back.

Now, I would do anything to get the gentleman's help in trying to approach the Rules Committee first, and let me say this for the record, also. I agree with the gentleman, last year if it had been up to me I would not have gone through reconciliation. I wanted to go to the Rules Committee but I found myself alone on the majority side of wanting to do that.

As the gentleman knows, being an isolated voice now and then, the gentleman knows that you cannot do much except carry on and avoid the tar and feathering by leading the procession.

So we went reconciliation.

At this point I would give anything to get the assurances because the gentleman talks about hoping I won't cut anything we have any trouble with. I want to go to the Rules Committee right now with H.R. 1 as it is, but the majority feels that unless there is some expression from even one or two of the members of the minority side of the committee, that it is sort of a dangerous legislative way to confront things.

I agreed with that.

So, yes, there have been some negotiations with those members who are on the committee and subcommittee as the ranking minority members and committee members—which I presume includes you. That doesn't exclude you, I assume. I presume they haven't excluded you. And that the reason they want a diminished list to include in what we will propose is because it won't fly otherwise with you, that you will vigorously oppose the entire bill.

So as far as I am concerned, if we had a Democratic caucus I would be glad to have the gentleman there because I don't work that way. I don't try to sneak anything. As I said, I would rather take my chances, have the majority express their will. If they want to go on record as being against new production, fine. That is what this business is all about.

If they can get the majority vote, I deplore it but I will have to accept it.

On the other hand, up to now when we have had bills such as the Emergency Home Mortgage Assistance Act, we got it out of the House in 1983 so who am I to tell you that I feel the only way to get something is to go through what I consider to be a sort of a peripheral approach on such a thing as reconciliation?

I never was for reconciliation. I never was for Gramm-Latta. I never was for reconciliation when it reared its ugly head in 1981.

What I am saying is that if we do not accept the premise that we need an ongoing construction program, then we debated in that term, you know, the merits or demerits of such a thing.

But to say that the gentleman wishes to assist us in the processes of having H.R. 1 presented to the House—you know, I welcome that any time.

A while ago, incidentally in the gentleman's absence it was not I, Mr. Fauntroy mentioned now that we have the pledge from Mr. Bartlett on my bill, maybe we can get him on H.R. 1. What I said was that up until now I would have to depend on others because that is the raw facts as I faced them.

I didn't see the gentleman offer to join us in our letter to the President asking him not to defer.

At no time that I can recall, I have not been approached by the gentleman on the methods or the processes and I assumed—let me say this because I am not being critical of the gentleman—I assumed the reason was that it had been delegated to your ranking members on the committee and subcommittee. But certainly it was no exclusionary desire or tactic on this Member's part.

I do want the record to show that.

I think the record ought to show that.

Mr. **Bartlett**. Mr. Chairman, if the chairman would yield.

Chairman **Gonzalez**. Yes, sir.

Mr. **Bartlett**. I appreciate your comments. I do appreciate the chairman's statements and his sincerity. It seems to me it would be helpful to attempt to construct legislation in more of a bipartisan caucus than in strictly a partisan caucus and I know for 1½ years that is exactly what the chairman did and he called it the Housing Subcommittee, because I participated with that.

As I said in the views that I have issued on H.R. 1, I found and I find today a good deal to commend H.R. 1 in terms of many of the issues that this subcommittee struggled with, and by very narrow votes adopted as some basic reforms, reforms that could help the lives of public housing residents.

The chairman and I discussed a good deal of those. I suppose what disturbs me is to then at this late date—it seems to me we ought to carry some vehicle to the floor in which those four or five remaining issues that only the Congress can decide, and that includes whether we should suspend scarce resources from modernization or new construction.

Chairman Gonzalez believes we ought to spend money for new construction and I believe we ought to take all that money and spend it on modernization. That is a legitimate difference of public policy that will be decided on the floor.

Chairman Gonzalez' position may prevail or mine may prevail, but at some point let's take a framework of a bill to the floor so that we can resolve those and other issues. There are many things that we can resolve in a bipartisan negotiated way, and we would have the framework to resolve the other four or five remaining larger issues with a vote on the floor, and perhaps we can get a multiyear reauthorization to provide stability in the program.

Chairman **Gonzalez**. I agree wholeheartedly with the gentleman. This is what I have been trying to do now for several weeks. Again I will say if it had been my desire that had been carried out, we would have had a rule several weeks ago from the Rules Committee to come out on the floor with. And then from there, of course, the House works its will.

I certainly haven't suggested obtaining a closed rule in any manner, shape, or form. I have been, I guess, the first Member of this body that openly and on the House floor protested closed rules when I first came here, and have continued up until now. I don't think there have been more than one or two exceptions when I did, because the issue didn't become an issue of legislative integrity, but it became a question of bipartisan support, whether you supported the Speaker when he was challenged in his authority, as I recall, one incident, but other than that, the record will show I haven't voted for that kind of approach.

I believe in free and unlimited debate, realizing in a House as large as this one, you have to have some limitation. What I am saying is I agree with the gentleman. If we can come out with some basis for consensus out of the committee level, everybody knows, and you know it as well, it lessens the acrimony and the instability of the debate when we get to the full House.

Mr. **Bartlett**. The major part of my legislative effort, as Chairman Gonzalez knows, is standard housing for low-income families. And I would suggest to the chairman I have given a great deal of thought to how such a framework could be developed. It does seem time that there are some substantial policy differences between members of the committee limited in number but major in scope, such as funding levels, such as new construction versus modernization, perhaps the reforms, although candidly I believe we agree on more of the reforms than we disagree. We have some micromanagement disagreements as to whether we should freeze regulations into law.

But with those handful of differences, I would hope the chairman, working with all the members of the Housing Subcommittee, could decide we don't have to agree on everything to get to the floor. Let's see what we do agree on and provide a framework, and perhaps that framework would only have four or five votes the House would have to take one way or the other, and we could—I am not suggesting a closed rule, it should be an open rule.

Chairman Gonzalez. The gentleman has very aptly, very eloquently described what I had thought had been my modus operandi. I did want to point this out—if I could for a majority caucus, the only purpose is first to find out what the consensus is among the majority. It would be ridiculous to proceed unless we once view that we did or didn't have some consensus among the majority.

Now that consensus may not be in keeping with what I think it ought to be, but I do, I have always been respectful of that. I don't think a move, going to the Rules Committee, going over to see an audience with a corresponding member of the Senate is necessary, unless I first consult and have their tacit approval or if they have an objection, listen to the objection. With that single exception, the gentleman has described exactly the way I think things ought to be done and have tried to do it.

So, I am hopeful that we will get a rule, come out with H.R. 1, or whatever is in order, and bring it up on the House floor with an open rule where every Member, not just us, but every Member, has a chance to contribute in forging whatever the House approves.

That is exactly the way I feel, but I have also always been of the idea, even if I had the power, I wouldn't want to be authoritative or arbitrary. First it wouldn't make me happy. Even if I have that power. And even when some Members on the majority side say, "Well, what do you want to have this meeting for?" I feel that it is necessary so that perhaps some other Member who feels differently can say, "Well, I don't agree with it," or "We ought to proceed differently."

So, with that exception, I don't unilaterally sit down and compromise unless it is a person expressing the will of the majority, in this case the subcommittee, and we did open up negotiations with the ranking member of the subcommittee, the ranking member of the full committee, and that is where we have been. And then we deferred to staffs to get together, the corresponding staffs, and work out a list of what would be an irreducible minimum to produce a consensus.

Mr. Bartlett. I wasn't aware you had opened negotiations with members of the full committee, but I think that is helpful.

Chairman Gonzalez. The chairman of the full committee is a ranking member of the subcommittee. Or the minority——

Mr. Bartlett. The ranking member.

Chairman Gonzalez. Absolutely, yes.

Mr. Bartlett. I find that to be helpful. I would simply again offer my assistance as one junior member who has been somewhat involved with H.R. 1 in a positive way, at least as witnessed by the message of H.R. 1 or the final draft of H.R. 1, and I would also say in giving it a lot of thought, I think the chairman has—also procedurally, it seems to be too big a test to make, that the test has to be the entire bill has to be a consensus bill. There should be and will be some four or five issues that remain to be resolved. Let's agree on what we can agree on.

Chairman Gonzalez. The gentleman has expressed it well.

Mr. Bartlett. Thank you, Mr. Chairman.

Chairman Gonzalez. Ms. Oakar, I am sorry we kept you waiting.

Ms. Oakar. That is all right. It is an interesting dialog, Mr. Chairman.

Mr. Chairman, I wanted to ask unanimous consent that a report written to Under Secretary Harris following a task force that was formed to develop legislation to foster tenant management, which was part of the Department's Policy Development Research be submitted for the record. I think Mr. McHenry was part of the task force, Bertha was part of the task force, and I think it would be important to have that since it was fairly comprehensive.

I also would like to clarify one remark with reference to Mrs. Gilkey. She did receive $19,000 in contrast to not only Mr. McHenry's fees but Mr. Anderson, who received $262,000 for consultation, but hers was from a foundation, it was not part of the public housing funds. I would like to have that report for the record to see if opinions have changed over the years.

Thank you.

Chairman Gonzalez. Without objection, so ordered.

[The final report of the Task Force on Tenant Participation in the Management of Low-Income Housing follows:]

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

November 1978

Final Report of the Task Force on Tenant Participation in the Management of Low-Income Housing

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY FOR
HOUSING—FEDERAL HOUSING COMMISSIONER

IN REPLY REFER TO:

The Department of Housing and Urban Development (HUD) is pleased to make available--for the information of public housing agencies, tenant organizations, HUD Field staff and other interested groups and individuals--copies of the report of the Task Force on Tenant Participation in the Management of Low-Income Public Housing.

The Task Force was an advisory group, established by the Secretary to develop recommendations for HUD policy on the subject of tenant participation in public housing management. Although HUD is giving the report of the Task Force serious consideration, it should be clearly understood that neither the principal report nor the minority reports represent the official policies or views of the Department.

The report reflects widespread agreement that some form of tenant participation is desirable and necessary. It also indicates diverse viewpoints on specifics of the subject. We are well aware that many agencies, organizations and individuals who did not participate in the deliberations of the Task Force are anxious to present their views to the Department. I can assure you that, as HUD moves toward better definition of policies on the subject, there will be ample opportunity for the expression of additional views.

Lawrence B Simons

Lawrence B. Simons
Assistant Secretary

November 17, 1978

Honorable Patricia Roberts Harris
Secretary of Housing and Urban Development
Washington, DC 20410

Dear Secretary Harris:

I am pleased to transmit herewith the final report of the Task Force on Tenant Participation in Public Housing Management.

The report presents detailed and specific recommendations on the content of proposed regulations, and we would be pleased to be involved in the conduct of the public hearings on the regulations once they are drafted and to confer with you on our recommendations as the process moves ahead.

In addition to the task force report, which was carefully reviewed and concurred in by a majority of the Task Force members, the report contains two minority reports: one representing the views of the tenant participants, who believe that our report did not go far enough, and one representing the views of the housing authority participants, who believe we went too far.

I am also enclosing the full text of the motions as adopted by the task force in its series of meetings, as these may facilitate the Department's efforts to draft regulations

We hope that our work will prove useful to you as you move forward with the important task of improving the public housing program and making it more responsive.

Sincerely,

Cushing N. Dolbeare

Cushing N. Dolbeare
Chairperson

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List of Task Force Participants

Members

Cushing Dolbeare, Consultant
Department of Housing and Urban Development
Chairperson

Stephen Coyle, Vice Chairperson
Office of the Secretary
Department of Housing and Urban Development

James Anderson
Office of Public Housing
Department of Housing and Urban Development

*Clorae Evereteze
Massachusetts Union of Public Housing Tenants

Dorothy Forbes
Executive Director
Wilmington Housing Authority

Bertha Gilkey
St. Louis Tenant Management Corporation

Jesse Gray, Chairperson
National Tenants Organization

**Clyde McHenry
Executive Director
New Orleans Housing Authority

**Robert Notte
Executive Director
Newark Redevelopment and Housing Authority

William Ratzlaff
Executive Director
Denver Housing Authority

Joseph Smith
Office of Neighborhoods
Voluntary Associations and Consumer Protection
Department of Housing and Urban Development

Shirley Wise
Eastern Region
National Tenants Organization

*Deceased
**Resigned

Alternates

Iris Paton
Massachusetts Union of Public Housing Tenants

Theodore Gatlin
St. Louis Tenant Management Corporation

Tony Henry
National Tenants Organization

Mildred Haley
Eastern Region
National Tenants Organization

Official Observers

Richard Allen, Counsel
Massachusetts Union of Public Housing Tenants

Catherine Bishop
National Housing Law Project
Counsel, National Tenants Organization

Caroline McFarland
Office of Policy Development and Research
Department of Housing and Urban Development

Dennis Moyer
Office of General Counsel
Department of Housing and Urban Development

Mary Pinkard
Fair Housing and Equal Opportunity
Department of Housing and Urban Development

Regina Ross
Fair Housing and Equal Opportunity
Department of Housing and Urban Development

Eugene Schneider
National Association of Housing and
Redevelopment Officials

Linda Spooner
Office of General Counsel
Department of Housing and Urban Development

Leonard Clay
Office of Policy Development and Research
Department of Housing and Urban Development

INTRODUCTION

On November 4, 1977, HUD Secretary Patricia Roberts Harris created, for a one-year term, the Task Force on Tenant Participation in the Management of Low-Income Housing. The Task Force was charged with providing recommendations to the Secretary on the development of regulations for tenant participation in public housing management. Its twelve members included four representatives of the Department of Housing and Urban Development, four tenant representatives, and four executive directors of Public Housing Authorities (PHAs). All members except full-time HUD employees served without compensation, although several members were given released time by their employers.

The appointment of the Task Force was a major milestone in a process that had long been underway. Since the establishment of the Public Housing Program in the 1930's, some housing authorities had encouraged tenant participation. A variety of approaches to tenant participation have existed. The 1960's saw the growth of an organized tenant movement on a national scale, and a subsequent expansion and sharper definition of the role of tenant participation in the various aspects of public housing management.

On April 5, 1977, HUD convened a "Consumer Forum on Tenant Participation," as an opportunity for tenants and others to present their views on the best way of ensuring tenant participation. Hundreds of tenants and PHA personnel attended this meeting. Secretary Harris in speaking to the participants declared that the Department needed tenant and PHA input on "the most important question of how we provide tenants a real right to participate in the determination of the conditions under which they live." This input is needed to develop a "workable plan for a partnership in public housing involving HUD." At this time Secretary Harris promised to make every effort to ensure creation of the Task Force.

The Task Force represented a diversity of viewpoints and experience. To expand upon the diversity and to achieve a more representative geographic distribution, a number of individuals were designated by HUD and the other Task Force members as official observers. In addition, all meetings of the Task Force or its working groups were open and public participation was encouraged. Most of the observers and attendees freely participated in the discussions. Attendance by the general public at each meeting ranged from 50 to 150 persons.

The Task Force held a series of seven meetings: November 7 & 8, 1977; November 29 & 30, 1977; January 6-9, 1978; February 26 & 27, 1978; May 1 & 2, 1978; September 20 & 21, 1978; and October 29 & 30, 1978. The Task Force had hoped to hold its meetings in various parts of the country in order to give interested people a chance to participate. However, because of budgetary limitations, all meetings were held in Washington, D.C. except the January meeting, which was held in Denver, Colorado.

The resources of the Department of Housing and Urban Development were available to the Task Force. The Department made the physical arrangements for the meetings, prepared the minutes and transcripts. Essentially, however, the Task Force did its own work. No position papers were prepared for the meetings by anyone, either within the Department or outside of it. Participants drew on their own knowledge and experience, together with information from their constituencies, in discussing the substantive matters on the agenda and reaching conclusions.

On occasion, the discussions were heated, but, as this report shows, the Task Force was able to reach substantial agreement on a series of complex and controversial issues.

To encourage a free exchange of views and comments among the Task Force members and between the Task Force and the general public, the Chairperson allowed some flexibility in the parliamentary procedures. However, only the Task Force members were allowed to vote on the various issues raised.

To permit fuller discussion and in-depth consideration, several work groups were formed to examine certain issues and prepare reports on which the full Task Force could review. The work groups were:

Working Group on Tenant Recognition and Funding
Working Group on Mechanisms for Dispute Settlement
Working Group on Small Public Housing Authorities
Working Group on Tenant Management Corporations
Working Group on Policies, Subsidies and Utilities
Working Group on Demolition

The work groups, which were also open to the public, consisted of at least three Task Force members, one from each of the major components, and official observers.

CHAPTER I -- THE BASIC APPROACH

The Task Force sees public housing management as a partnership between tenants, housing authority staff and boards, and HUD. Our recommendations are an attempt to flesh out this partnership, so that each of the partners can understand what is expected.

Public housing was created to provide decent housing for low-income people. Therefore, its purpose is and should be oriented around the welfare of tenants--both present tenants and future tenants. At the same time, housing authority boards and staff and the Department of Housing and Urban Development have legal and financial responsibility for the conduct of the program.

It is clear that each of the parties in the partnership brings different perspectives to it and sometimes these perspectives and positions will clash. The regulations which the Task Force proposes are intended to provide a framework for the partnership which will minimize conflict, but deal with it when it occurs.

The Task Force, throughout its deliberations, was conscious of the tremendous diversity in public housing. There are approximately 3,000 public housing authorities in the United States. There are approximately 14,000 public housing projects. Many are small projects, in small communities. While the bulk of public housing units is in the hands of larger authorities, there are many more smaller authorities and smaller projects.

The diversity goes beyond the size of the authority, the size of the community, and the size of the project. There is also great diversity in patterns of tenant participation and tenant-management relations. Some projects are under tenant management. Many authorities have sought tenant participation for many years and have established harmonious relationships. Others have resisted tenant participation, regarding it as a usurpation of management prerogatives. In some places, the degree of tenant participation depends upon the policies of the project manager, so that in the same community there may be projects with active tenant participation and good relations, and other projects either without tenant participation or with very poor tenant-management relations.

The Task Force believes that if its recommendations are put in the form of regulations and carried out conscientiously by housing authorities and tenant organizations, the result will be better public housing.

The Task Force is also convinced that tenant participation in public housing management is only one ingredient necessary to make public housing management and operations successful. For many years, public housing and public housing authorities have suffered from lack of adequate resources. Thus, for lack of adequate funds to cover the difference between income from tenant rents and rising operating costs, housing authorities have been unable to adequately maintain their projects or provide the services needed by tenants. Programs undertaken for the last several years to remedy this, including Modernization and the Target Projects Program, have been helpful, but insufficient in scale.

Because it is impossible to deal with tenant participation apart from other questions of adequate housing management, the Task Force Report includes recommendations on a variety of additional concerns. Other issues were also raised but dismissed in deference to our main objective: recommendations on tenant participation in public housing management.

Finally, although some Task Force members questioned whether there might be some legal barriers which might delay implementation of some of our recommendations, we urge that all possible steps be taken to eliminate the problems and establish nationwide mandatory minimum standards for tenant participation in housing management.

PROCEDURES

At the time the Task Force was appointed, it was contemplated that its recommendations would be considered by the Department, which would then develop and publish proposed regulations in the Federal Register and hold a series of ten hearings, one in each HUD region, for additional input prior to promulgating the regulations in final form.

Consistent with this format, the Task Force initially contemplated putting its own recommendations in the form of regulations, to avoid misunderstandings and multiple interpretations of the recommendations. This decision was later reconsidered. The Task Force urges that it be involved in the continuing process of preparing the regulations. It recommends that one tenant member, one housing authority executive, and one HUD official from the Task Force attend each of the public hearings, and that funds be made available for other members of the Task Force to participate in these hearings to the degree that they are able to do so.

In addition, the Task Force requests the opportunity to review the results of the hearings, in order that it may, if desired, modify its own recommendations, and in order to deal with any conflicts between its own recommendations and the regulations proposed by the Secretary. The Task Force strongly urges that its authorization be extended in order that it may complete its mandate.

CHAPTER II -- RECOMMENDATIONS ON THE PROPOSED REGULATION

The Task Force recommends that a national regulation be promulgated which establishes minimum standards for tenant participation in housing management.

The recommendations strike a balance between mandatory requirements and local options which permit tenant organizations and PHAs to work out their own procedures for tenant participation.

The Task Force recognizes that the needs and capacities of PHAs vary according to their size. Therefore, the Task Force has made recommendations taking into consideration these differences.

Just as there is wide diversity among housing authorities, there is also diversity in tenant organizations. The Task Force has attempted to assure that public housing management is responsive to tenant participation and to assure that the tenant organizations are responsive to their constituencies.

There was a difference of opinion amongst the Task Force members as to whether the present HUD regulations are adequate to deal with tenant participation. The prevailing view, however, was that present requirements are inadequate. There was agreement that compliance with and enforcement of existing regulations varies widely. Therefore, the Task Force proposes a section on mechanisms to assure compliance and is convinced that regulations will be of little value unless compliance can be assured.

Finally, the Task Force is convinced that tenant participation should not be a matter for the public housing program alone. It urges the Department of Housing and Urban Development to adopt similar regulations for all housing which is HUD-Held, Insured or Assisted.

Each section of this Chapter deals with a major area of tenant participation. In general, the recommendations of the Task Force are stated first, followed by an explanation.

1. TENANT RECOGNITION

Recommendations

The regulations should provide that it is HUD policy to encourage tenants to organize and/or participate in all public housing projects. The regulations should provide that, upon request, the local housing authority shall give formal recognition to the bona fide tenant organization in a particular public housing development. To qualify for recognition, a tenant organization must have held an election within three years before the effective date of the regulation. To qualify for continued recognition, the tenant organization must hold an election for all elected representatives and officers at least once every three years.

The regulations should provide that where a majority of the tenant organizations within a city or PHA jurisdiction desire to form a combined council, the PHA shall recognize only that group as the combined (or city-wide) council. A formal contract shall be entered into for a period not to exceed three years, except in those instances where both the combined council and one or more tenant organizations have separate funding agreements with the local housing authority in effect as of the date of the regulation, but in no event shall any agreement exceed three years.

Within 30 days after receipt of the request for recognition by a combined council, the local housing authority shall post public notices in conspicuous places around all of the housing developments. The notices shall state that a request for recognition of the combined council has been made and that within 60 days the local housing authority shall recognize the combined council unless it is determined that they do not represent a majority of the tenant organizations.

In the absence of an existing bona fide tenant organization in a particular housing development, the process for recognition shall be: (1) Any tenant or group of tenants may request recognition from the PHA in writing; (2) Within 30 days after receipt of the request, the PHA shall post public notices in conspicuous places around the housing development. The notice shall state that a request for recognition has been made and that a referendum on recognition together with an open election of tenant organization officers will be held within 120 days of the notice; (3) An independent third party mutually agreed upon by the PHA and the tenants shall conduct the election; (4) After the election the elected tenant organization shall formulate written bylaws covering such items as regular elections, officers, etc.; and (5) Upon certification by the independent third party conducting the election, the PHA shall give formal recognition to the elected tenant organization.

Within 30 days of formal recognition, the local housing authority and the elected tenant organization or combined council, as appropriate, shall enter into a formal agreement. During the term of the agreement the housing authority shall not recognize any other tenant group from the housing development or any other combined council.

All elections under these regulations shall be free and open to at least all lease holders of the units in the particular housing development involved.

The local housing authority shall maintain and publish lists of the names and addresses of the officers of each formally recognized tenant organization. The lists are to be supplied by each such organization. The housing authority shall keep the lists current, post the lists at each individual housing development, and forward a copy of the lists to the local HUD office.

Explanation

The intent of these recommendations is to assure both that there is an orderly procedure for recognizing a tenant organization and that such organizations are representative of tenants. Thus, a limit of three years is proposed on contracts, so that they can be renegotiated in the light of current situations. Also, elections, to be supervised by an independent third party, are required at least every three years.

2. SCOPE AND FORM OF ORGANIZED TENANT PARTICIPATION

Recommendations

The regulations should provide that: tenants shall be enabled to participate in every aspect of housing authority operations which affect them. The form of participation, however, shall be a matter of agreement between the housing authority and the local resident organization and/or area-wide council.

The regulations shall state that PHA and the local resident organization and/or area-wide council shall formally negotiate and agree on a contract. This contract shall include, but not be limited to, a requirement for mutual agreement on the contents of the following articles:

1. Lease Provisions
2. Grievance Procedures
3. Eviction Policy
4. Resident Selection Policy
5. Continued Occupancy Policy
6. Rent Collection Policy
7. Transfer Policy
8. Rent Schedules
9. Rent Ceilings
10. Rent Adjustment Procedures
11. Rent Increase Policy
12. Utility Conservation Policy
13. Utility Conversion Policy
14. Utility Charges
15. Modernization Application
16. Dispute Settlement Procedures
17. Site Selection, Physical Planning and Design of New Developments
18. Social Service Programs
19. Demolition or Rehabilitation of Projects
20. House Rules for Projects
21. Local Project Budgets
22. Level and Method of Funding
23. Services to be Provided by the Tenant Organization
24. Congregate housing where it exists or is proposed.

The contract shall incorporate the HUD tenant participation regulations by reference. It is recommended by the Task Force that there shall be mutual agreement as to the substance of the lease provisions and grievance procedures and that all disputes that shall arise shall be settled by HUD.

The regulations should require tenant and PHA concurrence on the terms of the contract itself.

Nothing in the regulations should in any way limit tenants and housing authorities from adding additional items to their agreement.

When problems under the contract arise because of changes in HUD policy or regulations, both parties will petition HUD in writing for a resolution. HUD shall respond within 30 days after receiving the written petition.

Explanation

The Task Force considered and after considerable deliberation rejected the concept of sign-off (or veto power) by tenants except as it pertains to lease provisions, grievance procedures, modernization applications, demolition requests, and disposition of projects after the termination of the Annual Contributions Contract.* This recommendation presented the Task Force with its greatest dilemma: to what degree should tenant participation imply a requirement for tenant concurrence on certain key management decisions. From the beginning, the tenant representatives on the Task Force were concerned that anything which fell short of a requirement for concurrence, or "sign-off," would mean that tenant participation could be manipulated by some housing authorities and would be a pro forma matter, rather than a reality. Sign-off to the tenant representatives meant the involvement and final agreement of the local tenant organization in the development, modification and carrying out of certain key PHA policies and procedures. Others on the Task Force were concerned that a regulation requiring tenant concurrence or sign-off on key aspects of housing authority operations affecting tenants would, in the first place, undermine the legal responsibilities of housing authorities and, in the second place, might not be workable because disputes could mean that necessary policy changes to meet new situations could not be made in time, or that applications or budgets to HUD could not be submitted in a timely fashion.

After the Task Force reached agreement on the basic wording of the recommendation set forth above, a difference of opinion developed regarding the meaning of the wording. The tenant representatives felt strongly that the recommendation requires tenant organization agreement on the contents of each of the listed documents, policies and procedures. After much discussion, however, the prevailing view was that the recommendation requires that formally recognized tenant organizations and the PHA must negotiate and enter into a contract. Through this process of negotiation, the PHA and tenant organization must agree on the extent of tenant involvement in the development, modification and carrying out of each of the key listed items (i.e., lease provisions, grievance procedures, eviction policy, resident selection policy, continued occupancy policy, etc.).

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*In addition to this section, see the sections on demolition, page 18 and Maintaining the Low-Income Character of Public Housing, page 20.

The extent of tenant involvement for each item should be spelled out in the contract. For example, on the lease provisions, the PHA and tenant organization may agree that the current lease must be revised and that there must be mutual agreement on the final items of the lease. Whereas, for the project house rules, the contract may provide that the tenant organization should develop and carry them out with minimal assistance by the PHA. On the question of site selection and physical planning and design of new developments the PHA may negotiate to have full control subject only to notice to and comment by the tenant organization.

The Task Force is convinced that, to the extent that public housing management can actually be operated as a partnership between management and tenants, this contractual requirement will work effectively. Indeed, the scope of the requirements is intended to move tenant organizations and housing authorities toward seeing their roles as partners. While we do not prescribe the form of the agreement, the Task Force is united in believing that it is no longer appropriate for housing authorities to announce policies, regulations, or procedures in any of the areas covered by the contract without input from tenants. We believe that the process we are recommending should lead to agreement by all parties on the content of the listed policies and documents.

The requirement for a contract between the housing authority and a tenant organization--project or city-wide, as appropriate--is the centerpiece of the Task Force's recommendation. By requiring a contract and requiring it to cover the items enumerated above, tenant participation becomes mandatory upon the tenants' requests. An overall agreement becomes mandatory. Yet the negotiating process and the substance of the agreement is left to the local housing authority and tenant organization.

In order to protect the integrity of the process, we later propose regulations for dispute settlement and compliance.

It is also intended by the Task Force that other items covered by the tenant participation regulations will be included in the contract. For example, the tenant organization's right to be involved in the selection process of key housing authority staff and to have access to local housing authority boards should be included.

Although the precise form of the contract will be determined at the local level and is subject to approval by the Board of Commissioners of the housing authority and the board of the tenant organization, there are certain major restrictions imposed upon its final form. As noted previously, all of the key items listed above must be addressed in the contract. HUD regulations, where they apply, should represent a minimum standard which cannot be negotiated away. (Examples: regulations on lease and grievance procedures or modernization.) The contract between the tenant organization and PHA must be renegotiated, or reaffirmed, at least once every three years. Finally, failure of the tenant organization or PHA to agree to and sign the contract is subject to resolution by the dispute settlement procedures.

3. FUNDING OF TENANT ORGANIZATIONS

Recommendations

The HUD regulations should provide that:

(1) Funding for tenant organizations shall be provided by HUD separately from the current performance funding system, in the amount not less than $5 per unit per year. Incorporated, formally recognized tenant organizations shall be entitled to receive their funding directly from the local housing authority, establish their own bank account and be responsible for handling their funds in accordance with sound fiscal practices, subject to audit in accordance with state and Federal law. The PHA shall provide financial, technical assistance and the services of a qualified auditor and should make every effort to do so within existing budgetary resources.

(2) In addition to direct funding, the PHA shall provide space and appropriate in-kind services to tenant organizations to carry out their activities.

(3) Additional funds shall be made available to large PHAs (with 2,500 units or more) for a full-time staff person to be hired by the city-wide tenant organization to implement the tenant participation regulation.

(4) In addition to the foregoing amounts, which are intended to provide a core budget for tenant organization activity, the PHA may contract with tenant organizations at the project level or with combined councils to provide services that would otherwise be provided by the PHA. If there is a recognized combined council or city-wide organization, this group's approval is required before the PHA may contract directly with a project level tenant organization, except that the city-wide organization's or combined council's approval is not required for the continuation of PHA contracts with project level organizations entered into prior to the effective date of these regulations. The city-wide organization's or combined council's

approval shall not be unreasonably denied. In case of dispute under this provision, the affected project organization, as well as the city-wide organization and the PHA, may submit the matter to the dispute settlement mechanism. Such contracts may be treated as extensions of PHA activities and therefore, the local tenant organization should not be required to bid competitively for its contract with the PHA. Tenant organizations or combined councils, either separately or jointly with the PHA, may enter into contracts with governmental or other agencies to provide services to public housing tenants.

Explanation

The Task Force recognizes that tenant organizations will not be able to carry out their responsibilities for tenant participation without a source of funds, so that they can hire appropriate staff and conduct appropriate activities. Since 1972, HUD has allowed but not required housing authorities to pay tenant organizations up to $3 per unit per year. This amount is now inadequate, both because of rising costs and because of the larger responsibilities which these regulations envisage for tenant organizations. The proposal, therefore, is to require funding of formally recognized tenant organizations. Such funding should be in addition to the current performance funding system.

We also find it appropriate to require that housing authorities provide space and in-kind services such as telephone, copying equipment, office furnishings, equipment and supplies to recognized tenant organizations. The amount of space and form of services would, we assume, be spelled out in the contract between the tenant organizations and the authority.

The Task Force also believes that it is desirable for tenant organizations to provide specific services directly, rather than having them provided through housing authority staff or by other agencies. For example, tenant organizations should be encouraged to operate day care service (children and adult), nutrition programs, recreation programs, homemaker services, laundry facilities, extermination and maintenance programs, and grocery stores. Therefore, we recommend that the regulations provide for tenant organizations to contract directly with housing authorities, or to receive funds from other agencies, to carry out such services.

For authorities with 2,500 or more units, it was felt that funding should be provided to the tenant organization for a full time staff person whose job would be to ensure full implementation of the tenant participation regulations. Recognizing that funds are limited, the recommendation did not include tenant organizations in authorities with less than 2,500 units. If funds are available, the Task Force would encourage similar funding of tenant organizations in such authorities. But until funds are available, the Task Force felt that the smaller authorities should provide the tenant organization with direct payment of travel expenses for the representatives.

It is the intent of the Task Force that before a tenant organization can receive funding, it shall have to assume some key responsibilities. Primarily, the tenant organization would have to be formally recognized. (See discussion of Tenant Organization Recognition). In addition, the tenant organization should not receive direct funding until it is incorporated, and has established a bank account, and sound fiscal practices. Until these requirements are met the PHA should maintain the funds of the formally recognized tenant organization subject to PHA release upon request by the tenant organization for the payment of bills, fees and other costs when properly supported documentation is presented. No tenant organization expenditures shall be denied by the PHA as long as they are consistent with state and Federal laws as well as the contract.

In addition to the direct funding recommendations, the Task Force urges that tenant and PHA personnel transportation costs to the quarterly and semi-annual meetings with key HUD personnel in the Area or Regional offices must be paid for by HUD.

Finally, the Task Force recognizes that funds may not currently be available to provide basic support for tenant organizations in the amount proposed. We urge that HUD make every effort to secure from OMB and the Congress, the additional funds which will be required to carry out this recommendation. If the full amount required is not made available, we recommend that a specific amount be set aside for allocation to tenant organizations (through housing authorities) separately from the operating subsidies provided through the performance funding system. We make this recommendation in order to assure that the level of funding for the tenant organization does not get involved in the local budget-making process.

4. TENANT ACCESS TO AND REPRESENTATION ON LOCAL HOUSING AUTHORITY BOARDS

Recommendations

The regulations should provide that:

(1) All PHA Boards with three commissioners shall have at least one tenant commissioner and all PHA Boards with more than three commissioners shall have at least two tenant commissioners. If necessary, local conflict of interest laws shall be pre-empted to allow

tenants to serve as commissioners. In those instances where the local governing body serves as the PHA Board of Commissioners, in addition to the duly elected representatives, residents shall be appointed as voting representatives on all PHA matters in the same number as stated above.

(2) There shall be regular meetings between the appropriate tenant representatives and the PHA Board. These meetings may be held during regularly scheduled Board meetings, provided they are at a time and location that is easily accessible to tenants. At a minimum, these meetings shall be held semi-annually for small PHAs and those medium-sized PHAs with widely dispersed projects and shall be quarterly for all other-sized PHAs.

(3) The elected officers of recognized tenant organizations shall be sent advance notice of regularly scheduled PHA Board meetings, including copies of the agenda with full attachments (except that, in those states that have sunshine laws, the full attachments shall not include those items that are legally discussed only in executive sessions).

(4) Representatives of recognized tenant organizations shall have the right to speak on each of the agenda items of all board meetings as they are presented.

(5) PHAs shall set aside time on the agenda of every PHA Board meeting for elected tenant leaders to comment on items not covered by that agenda.

(6) In addition, there shall be monthly meetings between the appropriate tenant representatives and PHA staff.

(7) HUD shall provide PHAs with enough copies of HUD issuances so that tenant leaders and, where appropriate, each tenant may be provided with a copy.

(8) In addition, PHAs shall make all other information available for inspection by tenants and tenant leaders or their representatives, except when such access invades the privacy of an individual tenant.

Explanation

The Task Force recognizes that the Board of Commissioners of the housing authority is the policy-making body responsible for the operation of the public housing. Therefore, the concept of tenant participation in decision making requires that, in addition to all other methods proposed for tenant participation, tenants should serve on housing authority boards. This concept has been embodied in national legislation since 1970. However, some states and/or local governments have conflict of interest laws or interpret their conflict of interest laws to preclude tenant commissioners. We recommend that the HUD regulation pre-empt such conflict of interest laws and point out that HUD has already established the precedent by pre-emption of local rent control laws for projects insured or assisted by HUD.

The Task Force felt it is important to provide for tenant participation in housing authority board meetings, as each subject is discussed, so that commissioners can make their decisions in full awareness of the tenant point of view. Therefore, we have proposed that representatives of recognized tenant organizations have the right to attend meetings and be allowed to speak on each of the agenda items. So that they can be adequately prepared, designated representatives of recognized tenant organizations should receive the agenda and accompanying materials in advance. Attachments to the agenda which concern matters legitimately dealt with in executive sessions such as certain personnel matters may be excluded from this requirement. Also, where the attachments are particularly large or bulky, only one copy need be sent to the tenant organization.

Since items of importance to tenant organizations may not appear on the agenda, we also recommend that every PHA meeting provide some time for designated representatives of recognized tenant organizations to raise issues or comment on items not covered by the agenda.

We have recommended quarterly meetings with the Boards of Commissioners, and monthly meetings with PHA staff, so that tenant organizations may have an opportunity to present their own agendas.

Finally, the recommendations address a widespread problem: the fact that copies of HUD issuances are not readily available to tenants. It was agreed by the Task Force that it would be simpler and less costly in the long run for HUD to provide housing authorities with sufficient copies of these issuances so that they would not have to be reproduced locally for distribution to tenant leaders and, where appropriate, to all residents.

Tenant organizations should have the right to obtain from the PHA all available information necessary to carry out their activities. For example, the tenant organization should have access to draft copies of reports, proposed regulations or budgets. However, the PHA may reasonably deny access to information that interferes with the privacy of individual tenants and PHA employees.

5. ACCESS TO HUD

Recommendations

The regulations should provide that:

(1) The HUD Area Director shall meet with large or very large PHAs and elected tenant leaders within the jurisdiction of the HUD Area Office in joint or separate meetings on a quarterly basis.

(2) Small and medium sized PHAs shall have twice yearly State or area-wide meetings with HUD staff, PHAs and tenants. These meetings should be in the form of workshops to cover tenant participation issues, such as existing policies, future or proposed policies, compliance with tenant participation regulations, PHA and tenant suggested policies, and the impediments to compliance with existing or proposed regulations. HUD shall pay travel and expenses of PHA staff and tenants, preferably by direct voucher payment, to these State or area-wide meetings.*

Explanation

HUD is often the central figure in the relationship of the PHA and tenant organization. A great many problems which arise in the operation of public housing are created by HUD, cannot be resolved without HUD, or could quickly be resolved if HUD were involved or made aware of the problem. Therefore, it is important for tenant and housing authority representatives, together, to have an opportunity to meet with the HUD officials who can deal with these problems, in order to resolve them. The recommendation for quarterly meetings with large and very large authorities is intended to do this. At this meeting, it is assumed that the give and take between PHA staff, tenant leaders and HUD staff will not only resolve current problems but anticipate future ones and resolve them before they attain crisis proportions.

The need amongst the PHA staff and tenant organizations in smaller authorities is for greater technical assistance as well as increased communications on the impact of the tenant participation and other regulations and policies. Therefore, at least for an initial period, the recommendation is that such meetings be held semiannually and be in the form of workshops. It is assumed that, even if funding at the level recommended above is provided, tenant representatives and PHA staff from smaller authorities will not have the travel funds necessary to attend state or area-wide meetings. Therefore, it is proposed that HUD pay these costs directly.

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*See recommendation of the Task Force on classification of size of PHAs, page 35.

6. TENANT EMPLOYMENT AND HOUSING AUTHORITY STAFF

Recommendations

The regulations should provide that:

(1) All public housing jobs shall be properly announced and qualified tenants shall be given preference for those jobs. Programs shall be established to train tenants to qualify for housing authority jobs.

(2) Tenant organization representatives shall have the right to review resumes, interview, and make recommendations regarding candidates for senior PHA staff positions, including the chief full-time executive of the housing authority.

(3) Housing authority development managers shall be trained to understand and promote tenant participation and tenants shall be involved in the training process.

Explanation

Many housing authorities have, with good results, established programs to recruit tenants for job openings as they arise. The Task Force recommends that this be extended to all housing authorities and that appropriate training programs be instituted to enable tenants to qualify for those jobs which require either training or experience.

It is axiomatic that understanding of tenant participation is essential to its success. Therefore, the Task Force recommends that housing authority managers be trained to understand and promote tenant participation, and that tenants be involved in the training process. This is intended to assure that the training is realistic and responsive to tenant needs and concerns.

The Task Force proposes that tenant organizations have the right to review resumes of prospective candidates under consideration for senior positions, interview those candidates under serious consideration and make recommendations to the appointing authority. This might be accomplished by permitting representatives of the tenant organization to sit as members of the personnel committee or with the body considering the candidates. It is the hope of the Task Force that these recommendations will be taken seriously by the appointing authority, whether this is a PHA Board, the executive director of the PHA, or some other entity.

7. DEMOLITION OF PUBLIC HOUSING PROJECTS

Recommendations

The regulations should provide that:

The following factors shall be given full consideration in the process of developing new HUD regulations governing the modification, demolition and disposition of public housing projects prior to the expiration of the Annual Contributions Contract:

(1) That demolition of public housing projects be considered a last resort policy option, to be considered only after all alternatives to demolition have been examined;

(2) That local tenant organizations be fully involved in the process of developing requests for demolition, modification or disposition of projects;

Specifically, participation requirements should include:

(a) notification of local tenants' organization (LTO) by the PHA of its plans to modify or close out a project at least one year prior to partial demolition or disposition; if there is no tenant organization, the PHA shall send a notice to each tenant and hold a meeting of the tenants to explain the PHA's plans and explain the tenants' right to be involved;

(b) involvement of local tenant organizations in planning the future of the development;

(c) provision of adequate technical and financial resources by HUD to the local tenant organization to make its participation in the planning process meaningful;

(d) concurrence of local tenant organization in the application for modification, demolition or disposition, and for replacement units;

(e) relocation assistance to each family displaced with guarantees that the families will be given a unit of comparable rents, in decent, safe, sanitary condition, in the community, with preference given to relocation in the project neighborhood;

(f) full costs of relocation (including, but not limited to, full actual cost of moving) must be paid to all families displaced by the PHA proposal.

(3) That HUD provide financial and technical assistance to the PHA and the LTO to carry out an effective exploration of alternatives to demolition, modification and disposition;

(4) That a public hearing on the modification, demolition or disposition plan be held by the PHA in the local community prior to the submission of a proposal to HUD;

(5) That the local governing body be required to concur in the plan prior to its submission to HUD, with the qualification that the local governing body not be permitted to alter the proposed plan;

(6) That there be a requirement that each unit proposed for demolition or modification which would prevent its use for low-income people be replaced on a one-to-one basis and that local government agreements for the replacement of the units be made prior to approval of requests for demolition, modification or disposition;

(7) That the bedroom distribution of the replacement units should be consistent with community housing needs;

(8) That HUD set aside funds to the PHA for new or substantial rehabilitated units to guarantee that there will be a one-to-one replacement ratio;

(9) That the request for demolition, modification, and disposition be reviewed by the Secretary or his/her designee, and that such review be made on a case-by-case basis;

(10) That HUD abandon the notion of using a "cost trigger" that would presume that rehabilitation is not feasible if the rehabilitation unit cost exceeds a fixed percentage of the cost of new units in that area; (This is not intended to preclude consideration of cost along with other factors relating to the desirability of rehabilitation);

(11) That prior to approval of a request for major or substantial demolition in a public housing project, HUD shall commission an independent review of the cause that led to the deterioration of that project.

Explanation

The question of demolition is a difficult one, which the Task Force discussed at some length. Our recommendations are an effort to balance the concern that low-income housing units should not be removed from the stock of housing with the exception that some housing projects either because of their age, their location, or their size, should be either demolished or "thinned out."

The recommendations provide that local tenant organizations be fully involved in the development of any requests for demolition, modification or disposition of projects, and where displacement is involved, full relocation benefits be paid. In addition, the recommendation is intended to assure that replacement units will be provided.

There was vigorous participation by members of the public in the discussion of these proposals. A number cited instances where they believed that housing authorities were deliberately failing to maintain or improve housing projects, so that demolition would be the only feasible alternative. It was pointed out that many of the projects proposed for demolition, as well as the project in St. Louis which was actually demolished, were not the oldest housing projects, but were projects which were built during the 1950s and 1960s. The Task Force believes that many of the problems with these units were increased because site selection problems forced the building of high rise developments for large families. Because public housing authorities could not obtain vacant land, they were forced to build on slum clearance sites, and, under Federal policy during the 1950s' assistance was not available to underwrite the costs of land acquisition so that lower density projects could be built.

The Task Force discussed at some length the suggestion that HUD regulations set definite and specific limitations on the circumstances under which housing projects could be demolished in whole or in part. In the end, we concluded that the local situations are likely to be so different that it would be impossible to frame adequate national regulations or policies. Therefore, we concluded that the approach which we have taken is the most appropriate one: to provide for full tenant participation and concurrence, to "hold-harmless" those who would be displaced by demolition, and to provide for full replacement of any units demolished.

8. MAINTAINING THE LOW-INCOME CHARACTER OF PUBLIC HOUSING

Recommendations

A. Expiring Annual Contributions Contracts

The regulations should provide that:

(1) At least two years prior to the expiration of the Annual Contributions Contract, HUD should provide financial resources and technical assistance to PHAs and local tenant organizations to develop

plans to maintain the low-income character of the project or projects affected.

(2) Where the local housing authority seeks additional funds from HUD for the project to be utilized after the expiration of the Annual Contributions Contract, the concurrence of the local tenant organization shall be required.

(3) When a PHA seeks additional Federal funds, for example, UDAG or other funds, to be utilized in a public housing project after the expiration of an ACC, HUD shall not approve such funding unless the local tenant organization concurs.

(4) HUD shall assure that PHAs maintain the low-income character of public housing projects after their ACCs expire.

(5) HUD shall withhold funds from communities which do not provide their fair share of low- and moderate-income family housing.

Explanation

The forty-year contracts under which HUD funds public housing are beginning to expire. The first four contracts expire in 1979 and an increasing number will expire in the years after that.

The Task Force is concerned that, to the degree possible, these projects remain available for low-income occupancy. This means some arrangement for HUD to continue to pay operating subsidies, and, in some instances, to make improvements.

The Task Force recognizes that, upon the expiration of an Annual Contributions Contract, the public housing development is the property of a housing authority, which may or may not wish or be able to continue to use the development for low-income occupancy. We recognize that HUD is already concerned with this problem, and we urge that every possible measure be explored to assure the maintenance of such projects for low-income people. In addition to providing operating subsidies and modernization funds to projects with expired ACCs, the Task Force recommends that HUD use other appropriate means of exercising leverage on the community.

Communities which permit low-income housing, after the expiration of the Annual Contributions Contract, to lapse into other use, or do not provide adequate low- or moderate-income housing in the first place, should be penalized by the withholding of funds to the PHA or to the community. We believe that this measure is necessary in order to implement the national policy of providing equal housing opportunities. In addition, some cities are proposing the renovation or improvement of public housing projects in conjunction with their Urban Development Action Grant proposals.

Just as tenants should participate in decisions relating to the on-going operation and management of public housing, the Task Force believes that tenants should have an opportunity to participate and concur in the decisions about the future use of public housing developments after Annual Contributions Contracts expire. The two-year notification period is intended to give ample opportunity for joint planning by tenant organizations and housing authorities for the future use of public housing projects. The requirement for tenant concurrence in the proposal is to assure that whatever is proposed is mutually agreeable both to the housing authority and to the tenant organization.

B. Homeownership

The Task Force believes that homeownership is not viable for low-income families without an adequate level of subsidies to provide for necessary capital improvements, utilities, taxes and proper maintenance. Homeownership for low-income families should be encouraged only if such subsidies are made available.

9. MECHANISMS FOR DISPUTE SETTLEMENT

Recommendations

The regulations should provide for a dispute settlement mechanism. The dispute settlement mechanism outlined in the regulations shall be used if (1) both PHA and tenant organization or the group that is seeking formal recognition agree to its use; (2) where there is no contract establishing a dispute settlement mechanism; or (3) the locally established dispute settlement mechanism breaks down or fails to resolve the dispute unless both parties agree to an alternate mechanism.

Where disputes between the PHA and the tenant organization or a group seeking recognition cannot be resolved after good faith effort, the dispute shall be submitted to arbitration on the request of either the PHA, the tenant organization or the group seeking recognition. The arbitration team shall be composed of HUD, PHA and tenant representatives outside of the geographic area of dispute selected by the National Advisory Committee.

Explanation

The primary purpose of this recommendation is to assure that there is a settlement mechanism available as a last resort when disputes arise and cannot be settled locally. It is the intention of the Task Force, however, to assure that, to the degree possible, the mechanism for dispute settlement is agreed upon between the housing authority and the tenant organization and that the use of the procedure will be invoked only when mutual agreement between the two parties or an alternative is not possible or when relationships break down completely. The test of the regulations, taken as a whole, will not be how often this settlement procedure is used, but how infrequently it is called on. Nevertheless, because of the sometimes adversary nature of the relationship between tenant organizations and housing authorities, it is essential to have a clear set of policies for handling disputes.

10. COMPLIANCE AND SANCTIONS

Recommendations

The regulations should provide that:

(1) HUD shall systematically monitor PHA and tenant organization compliance with the tenant participation regulations and the local tenant participation contract. At least once every 2 years, HUD shall conduct a joint review of large and very large PHAs with the PHA and elected tenant leaders as to PHA compliance.

(2) To accomplish this, HUD shall assign and train at least one staff person in each area office to do such monitoring. This staff person shall be a part of the HUD management review team and the subject of tenant participation shall be included in a regular management review.

(3) In addition to any other funding made available, funds shall be provided for large PHA's (2,500 units or more) for a full-time staff person to be hired by the city-wide tenant organization to assist in implementing the tenant participation regulation and local contract.

(4) Where the housing authorities or the resident organizations fail to comply with these regulations, HUD shall enforce them through appropriate sanctions, which may include: (a) full or partial withholding of funds to the PHA and where appropriate and necessary other programmatic funds to the community, provided that this does not adversely affect the health, safety, security or physical well being of the tenant population; (b) court action; or (c) other means.

Explanation

The Task Force recognizes that the question of sanctions is a complex one. However, the sanction which is most readily available to HUD is full or partial withholding of funds, or conditioning of funds.

The recommendation envisages the aggressive and responsible use by HUD of selective withholding of programmatic resources. While one can make the argument that any withholding of funds adversely affects tenants, some members of the Task Force felt that, when necessary, selective withholding of funds should be employed for the long term benefit of improved tenant participation, even though there may be short term consequences for the tenants.

The Task Force recommends court action as an alternative sanction, but recognizes that this may be both time-consuming and costly. While the regulation provides only for court action by HUD, the Task Force assumes that the contract between the housing authority and tenant organization will be legally enforceable, so that either party could also use court action in the event of noncompliance.

As already noted, a number of members of the Task Force felt that greater tenant participation would result from better enforcement of existing HUD regulations and policies.

To assure that the proposed regulations are enforced, the Task Force recommendations call for pinpointing responsibility in each Area Office; requiring systematic monitoring, in the form of an annual review of compliance; and imposing sanctions where housing authorities or resident organizations fail to comply with the regulations.

In addition, as noted under the section on Funding for Tenant Organizations, the Task Force recommends that combined tenant councils in large or very large housing authorities be provided with funds for one full-time staff person to work on compliance with the tenant participation regulations, including the contract with the PHA.

Inherent in these recommendations is a concept of compliance which operates on a number of levels. At the everyday level, at least in larger authorities, there should be a full-time person giving attention to the full sweep of the tenant participation recommendations. This person is proposed as a staff member of the combined tenant council to be sure that any tenant problems can be promptly investigated and tenant complaints can be carried to the appropriate authority. In the first instance, we assume that this would be the staff of the housing authority, or, failing satisfaction there, the board.

The staff persons of the tenant association would be responsible not only for compliance in the monitoring sense, but for technical assistance, training, working with tenant organizations and training tenants on their rights and the responsibilities under the new regulations.

The pinpointing of responsibility in the HUD Area Office provides involvement in compliance at another level. That person would receive and handle complaints from tenant organizations. However, the proposed regulations would place an affirmative responsibility on HUD to assure compliance with the regulations. Because HUD periodically conducts management reviews of all aspects of the housing authorities' operations, the Task Force is clear that tenant participation should be one aspect of these comprehensive reviews. However, these reviews take place, on the average, every five to nine years. Thus, some interim mechanism, focused on tenant participation, is needed. This is the recommended review, by HUD Area Office staff, of compliance with the regulations and the local contracts.

11. CHANGES IN HUD REGULATIONS

Recommendations

Where HUD regulations result in court action or other actions adversely affecting local housing authorities and/or tenants, and when HUD is found to be at fault, HUD shall pay the resulting costs, including additional expenditures by housing authorities, and damages and rebates to tenants, as well as attorneys' fees.

Explanation

A number of instances were cited where housing authorities have been sued, as a result of implementing policies or procedures mandated by HUD. As a result of these suits, housing authorities have incurred damages and other expenses. The Task Force believes it is appropriate in such instances for HUD to pay the resulting costs, including attorneys' fees.

CHAPTER III--NATIONAL ADVISORY COMMITTEE

Recommendations

The Secretary should create a National Advisory Committee, including housing authority, tenant management, and tenant organization representatives, with on-going responsibility to review current policies and their implementation as well as future policies that may be under consideration by HUD or the committee.

The National Advisory Committee (NAC) would also serve as an important part of the proposed dispute settlement mechanism.[*] When a dispute between a PHA and a tenant organization cannot be resolved locally and a settlement mechanism cannot be agreed upon, the NAC would be available to select a team of PHA and tenant representatives from other localities to arbitrate the dispute.

The committee should have broad-based representatives, both geographically and racially, including Hispanic representation. Committee members should be appointed for two-year terms with one-half of the terms expiring each year.

Explanation

One of the major concerns of the Task Force at the outset was the need for a mechanism through which tenants and housing authorities can have an input into national policies and programs under consideration by HUD. The primary function of the National Advisory Committee would be to do just this: to bring together tenants and housing authority representatives to discuss problems of mutual concern and to include HUD officials in this process. The experience of the Task Force in making its recommendations indicates the need for such a group. While the Task Force has not been in complete agreement on every item, it is clear that the process of discussion has been a significant one, both in developing greater understanding of needs and problems and in developing agreements as to what should be done about them.

The broad representation proposed for the advisory committee means that it will function differently from the consultative process which the Department already uses in developing major regulations, which is to seek input from housing authorities and from tenants in an informal way, as well as to publish regulations for comment in the Federal Register. The interaction among tenants, housing authority executives and HUD officials has been invaluable in developing these recommendations; such interaction can occur only through a mechanism such as the advisory committee we propose.

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[*] See Page 22.

CHAPTER IV--TENANT MANAGEMENT

Recommendations

The regulations should provide that:

(1) HUD should adopt a national policy in support of tenant management in public housing management and an advisory board on tenant management corporations (TMCs) (see paragraph 6 below) and should develop policies to establish the conditions under which conversion from PHA or private management to tenant management should take place. Furthermore, HUD should provide the necessary technical assistance and supportive services. HUD and the advisory board of TMCs should develop dispute settlement mechanisms to resolve those cases where the PHA declines to agree to the conversion to tenant management. To implement this policy, HUD should develop a program to support training and financing of tenant management, independent of existing performance funding or annual contributions funding.

(2) HUD should provide additional funds over and above regular operating subsidies to existing TMCs for the following:

(a) Initial and ongoing training; and

(b) Initial and ongoing technical assistance.

(3) When a PHA and a TMC agree to enter into a management contract, HUD should conduct a review to determine the needs of the development and should work with the PHA and TMC to resolve these needs.

(4) Where a HUD management review team involves a tenant management corporation within its review, a TMC representative should be incorporated on all levels as part of that review.

(5) If a national organization of TMCs is formed, HUD should permit dues to be paid to the national organization as part of the TMC's allowable expenses.

(6) HUD should establish an advisory board on TMCs, to include representatives of TMCs, tenant organizations, and PHAs, to review the evaluation of the TMC demonstration projects and to make recommendations on appropriate policies for all TMCs. In addition, HUD should seek to revise its contract with the evaluator of the TMC demonstration to provide for an advisory committee to that contractor which would include representatives of TMCs.

Explanation

The Task Force recognizes that tenant management corporations involve, in addition to tenant participation, certain aspects of management. We are, therefore, clear that tenants living in projects under tenant management should have the same right and responsibilities as tenants in projects under any other form of management. At the same time, we support tenant management as an embodiment of tenant participation and urge that HUD provide tenant management corporations with the resources which they need to be successful. These resources include training and technical assistance.

In addition, where tenant management is proposed for projects with critical modernization or other needs, HUD should conduct a careful review of these needs prior to the initiation of tenant management and should then work with the housing authority and TMC to meet the needs of the development. Tenant management alone cannot and should not be expected to overcome years of neglect or unsolved problems. Yet, tenant management is often instituted in neglected, troubled projects.

Because of the unique nature of tenant management, the Task Force believes that HUD reviews of tenant management should involve TMC representatives from other authorities. This will ensure that the HUD review team includes firsthand knowledge of tenant management.

HUD now allows housing authorities to permit dues to recognized organizations to be paid out of the authority budget. Similarly, the Task Force believes it would be appropriate, if a national organization of TMCs is formed, for dues to be paid as part of the TMC's allowable expense.

Finally, to ensure that conclusions are drawn and policies are made which are fully cognizant of TMC perspectives, the Task Force recommends two advisory committees. The first would be an advisory board within HUD on tenant management corporations to include representatives of TMCs, tenants and PHAs to review the evaluation of the TMC demonstration projects and make recommendations regarding tenant management. Similarly, HUD should seek to revise its contract with the evaluator of the demonstration so that the contractor would have an advisory committee which would also include representatives of TMCs.

CHAPTER V--ADDITIONAL RECOMMENDATIONS TO THE SECRETARY

In addition to the foregoing recommendations, which can be incorporated in regulations on tenant participation, the Task Force makes a series of additional recommendations on measures needed to improve public housing. These recommendations are intended to compliment the regulations by providing HUD and housing authorities with the resources, programs, and procedures that are essential if tenant participation in management is to be successful.

From the outset, all members of the Task Force recognized that tenant participation alone will not deal with problems of deferred maintenance, social services, and simple lack of an adequate supply of subsidized units.

We recognize, of course, that many of these recommendations cannot be carried out by the Secretary alone. We stand ready, however, to join her in advocacy in order to obtain the additional resources that may be needed to carry them out.

Other recommendations, we believe, can be carried out within the parameters of existing resources. We urge that these be implemented immediately.

1. Subsidies and Security

Recommendation

(1) The Task Force firmly believes that many of the problems of public housing are created or exacerbated by severely limited operating and modernization funds. Therefore, the Task Force urges the Secretary to seek expanded funding for the operation and modernization of the existing public housing stock.

(2) PHAs should be funded for security separately from the Performance Funding System (PFS).

Explanation

Due to years of inadequate funding, PHAs have in many cases been forced to defer needed maintenance and forego essential improvements and services. To replace appliances and other items, PHAs are frequently forced to purchase the cheapest item rather than the most cost efficient over the life time of the product. If adequate funding were provided, severe problems and their resultant exaggerated costs could be avoided.

Because the cost of security varies drastically from project to project and PHA to PHA and further because it is such a critical item both from the perspective of the tenants and PHA staff, the Task Force believes that it should be funded separately from PFS. In making this recommendation, the Task Force notes that utilities are funded separately from PFS.

2. Modernization

Recommendations

(1) HUD should recognize that many of the older assisted and subsidized units are not now in decent, safe and sanitary condition. High priority should be given to bringing all such units to standard condition, and the necessary funds should be provided.

(2) HUD should ask PHAs to conduct a survey of their modernization and deferred maintenance needs and should request enough funds to meet those needs within five years.

(3) HUD should have set-asides or entitlement funds for modernization on a multi-year basis for the largest and/or oldest PHAs in order that the greatest needs may be funded first.

(4) HUD should give top priority to increasing the rate at which modernization funds are made available, and drawn down and expended at the local level. Where delays are within the control of the PHA, HUD should consider all possible legal and administrative remedies to this problem, including but not limited to the recapture of interest earned by the PHA on unspent funds, and the use of private and community-based contract management services to permit the completion of unfinished modernization work.

(5) HUD should encourage PHAs to expend funds at an accelerated rate. To this end, HUD should allow for multi-year entitlement or set-aside funds to these PHAs. Additional funds should be made available for those PHAs which complete MOD activities ahead of an accepted normal schedule, and utilize greater tenant participation.

(6) HUD should seek to establish a secondary wage rate for substantial rehabilitation in public housing projects in order to encourage tenant employment, training, and retention in the program.

Explanation

The Task Force is concerned about the modernization needs of many low-income projects, and the inadequate rate in which these needs are now being met. Moreover, we recognize that other projects, particularly Section 236 projects, may have similar needs.

We believe that the highest priority within HUD should be given to bringing the present inventory of subsidized housing to a sound decent condition. To this end, we urge that an immediate survey be made, and the funds then be provided to meet the needs revealed within a five-year period. This should be implemented through multi-year set-asides, with bonuses available for early completion and for tenant participation.

In order to encourage tenant employment, existing restrictions should be removed.

3. Utilities

The Task Force recommends that in the process of utility conservation in order to meet national energy conservation goals, HUD should ensure that the PHAs take every safeguard to assure that there are not additional financial burdens on the residents of the projects. This will require raising utility allowances to realistic levels. This motion is not intended to be interpreted as supporting the conversion of project-supplied utilities to tenant-supplied utilities or checkmeters.

Furthermore, under no circumstances should project-supplied utilities be converted to tenant-supplied utilities or checkmeters before full-scale retrofitting of projects for energy conservation, including adequate insulation, is completed. PHAs should be required to purchase energy efficient appliances with adequate funding from HUD.

Explanation

The Task Force recognizes the need for adequate energy conservation measures in public housing but is greatly concerned that tenants not be harmed in the process. Numerous instances were cited in which conversion from project-supplied utilities to individual metered projects or checkmeters had resulted in greatly increased costs to tenants, without corresponding increases or adjustment in utility allowances. The Task Force was concerned that HUD's emphasis is on conversion to individual metered projects and checkmeters. Retrofitting and weatherizing housing projects so that less energy is consumed should be the primary goal. Meter conversions should be the last step in the utility conservation process.

The Task Force was concerned with HUD's current policy of encouraging meter conversions without retrofitting projects. Therefore, none of the recommendations of the Task Force should be interpreted as supporting the policy of converting mastermetered projects to check or individual metered projects. The Task Force is in full agreement that utility allowances should be adequate to pay reasonable utility costs.

The Task Force is also concerned that current HUD policies may not permit the purchase of energy-efficient appliances, since less efficient appliances may have lower initial costs. We believe that adequate funding should be provided by HUD to permit the purchase of such appliances, which have lower overall costs even though the initial cost may be higher, and that specifications for such appliances be revised accordingly.

Finally, the Task Force is concerned that HUD has mandated energy conservation measures that were inadequately funded and were not completed. In one instance, a new heating system was installed, but the pipes were not adequately converted, and the result was pipes burst, and a number of buildings were without heat for a considerable part of the winter. The Task Force believes that in such instances, where HUD is at fault, tenants should be reimbursed or provided with rent rebates for the period their units were uninhabitable.

To prevent future such occurrences, HUD should ascertain that funds are available to fully complete any necessary improvements that are initiated to conserve energy.

4. Social Services

The Task Force recognizes that there is an urgent need for adequate social service programs for public housing residents and recommended that HUD adopt programs that will accomplish the following:

a. The program should be set up to work over a longer, more predictable term, i.e., for at least five years.

b. The program should include training of PHA, HUD and local tenant organization personnel in social services programming and administration.

c. The program should be used as a demonstration to find ways to merge into one Federal funding source the diverse Federal programs that currently exist in the Departments of HUD, HEW, Labor, Commerce, Transportation, and Interior.

d. The current regulatory restrictions and paperwork burdens on social services programs, which tend to impede local efforts, should be reduced dramatically.

e. Social services funding for PHAs should be patterned after the successful Community Development Block Grant program to encourage more local discretion and less Federal control.

f. The program should target its benefits to public housing residents in greatest need by focusing on multi-problem projects.

g. The program must encourage PHAs and local tenant organizations to leverage the investment of other public and private funds, services and in-kind contributions to support their community services programs.

In the development of social services programs at the PHA level, there shall be negotiation and agreement between the PHA and the tenant organization or the city-wide council as to the priorities and the budget.

Explanation

The Task Force was unanimous in its belief that adequate social services are essential to the public housing program and that current funding of these programs is completely inadequate. Thus, we urge that HUD make a greater effort in this area and seek more funds to accomplish the objectives set out above.

5. Classification of PHAs

The Task Force recommends that HUD adopt the following classification of PHAs by size:

Small PHAs	under 1,200 units
Medium PHAs	1,200 - 2,500 units
Large PHAs	2,500 - 7,500 units
Very Large PHAs	over 7,500 units

Explanation

The purpose of this recommendation is to establish a recognition of the organizational capacity of PHAs to effectively manage the apparatus of contractual arrangements for PHA/tenant interface in terms of PHA size. By this it is meant that the large PHA operation has greater resources to deal with the highly sophisticated nature of the contractual arrangements and other recommendations regarding increased tenant input into PHA operations including such things as travel to meetings with HUD Area Offices, wide distribution of PHA board agendas and attachments, etc. Other sections of this report deal with the specific constraints upon small PHAs and their tenant bodies as they relate to adherence to the general provisions of the proposed regulations.

The Task Force believes that our recommended classification would be more realistic than that currently used by HUD. The current system defines 500 units or under as a small PHA, 500 - 1,200 units as a medium PHA, and over 1,200 units as a large PHA. It has become evident in recent months that there is a Departmental recognition that PHAs with 2,500 or more units exist in somewhat different circumstances than those with less, largely in terms of the problems of the cities within which they are located. The Urban Initiatives Program recognizes these differences and addresses itself mainly to those 67 PHAs with 2,500 units or more.

The Task Force, therefore, urges that this definition be adopted for all public housing programmatic and policy purposes by HUD.

6. Urban Initiatives Program

The Task Force supports HUD's new Urban Initiatives Program to the extent it is consistent or can be made consistent with our recommendations on tenant participation. The Task Force urges that the program be expanded to include all PHAs and to cover social service programs.

Minority Report
of
Task Force Members

Jesse Gray Bertha Gilkey
Iris Paton Shirley Wise

Tenant Representatives' Minority Report

The tenant members of the Task Force concur in most of the Report's recommendations. However, the Task Force recommendations in several key areas are not strong enough to ensure that tenant participation will become a reality. The Task Force Report calls for a partnership between tenants, PHA and HUD. Our past experience with PHAs has convinced us that this equal partnership is most likely to occur where it is required by HUD regulations.

Scope and Form of Organized Tenant Participation

The Task Force's failure to recommend that there be tenant concurrence on all key management decisions which affect tenant lives seriously negates the usefulness of its work. Without a requirement that there be mutual agreement between the housing authority and the tenant organization on the substance of important rules, policies and documents there can never be true tenant participation. Because they are the ones that live in public housing, tenants suffer the consequences of any bad management decisions. Tenants must have the means to participate fully in the development, modification and carrying out of key PHA policies and procedures such as evictions, resident selection, continued occupancy, rent collection, transfers, rent schedules, rent ceiling, rent adjustment procedures, rent increases, utility conservation and conversions, utility charges, dispute settlement procedures, site selection, physical planning and design of new developments, social service programs, house rules for projects, local project budgets and overall PHA budgets.

Housing Authority Staff

Tenant organization representatives must have the right to participate fully in the selection of the chief full-time executive of the housing authority. In addition to the rights described in the Task Force Report, tenant organization representatives should mutually agree with the appointing authority on the selection of the executive director of the PHA.

Disputes

We concur in the recommendations of the Task Force, but we believe that the dispute settlement mechanism should specify time limits for resolving disputes. Our experience with PHAs delaying the implementation of the lease and grievance procedures has convinced us of the need for quick resolution of disputes. All disputes should be resolved within 60 days after submission to arbitration.

Sanctions

A representative of the local tenant organization should be part of the HUD management review team and participate in the HUD review of PHA management. The explanation should indicate that one appropriate sanction would be the selective withholding of funds earmarked for salaries of housing authority personnel.

Tenant Management

We support the Task Force's recommendation on tenant management and we encourage the Secretary to act immediately in this area. The TMC demonstration projects will probably be finished prior to the tenant participation regulations being implemented. To ensure that TMCs will be continued, the National Advisory Board on TMC should be established now.

Funding of Tenant Organizations

The $5 per unit per year funding of tenant organizations is insufficient. Without a funding level of at least $10 per year, tenant organizations will be hindered in carrying out their responsibilities for tenant participation. The Task Force recognized that the current funding level of $3 per unit per year which HUD has allowed since 1972 is now inadequate. However, its recommended increase to $5 per unit per year barely covers rising costs since 1972 and does not adequately provide for funding of the increased responsibilities of tenant organizations envisioned by the recommendations. The Consumer Price Index has risen 59 percent from 1972 to September 1978 so that $1 and 77 cents of the $2 increase merely compensates for rising costs and only 23 cents is available for tenant organizations to implement their increased responsibilities. It is a cruel hoax to promise tenants the right to participate in the management of public housing and then to withhold from them financial resources which they need in order to participate effectively.

Utilities

The Task Force position on utility meter conversions does not go far enough. We oppose any utility meter conversion. HUD's current policy of encouraging conversion from project supplied utilities to tenant supplied utilities or checkmeters has harmed tenants and it must be stopped.

Social Services

Tenant social service programs should be run by tenant organizations where the tenant organization so desires. If necessary, adequate training of the local tenant organization personnel should be provided.

With the exception of the comments above, the tenant organization representatives on the Task Force are generally supportive of the final recommendations. We appreciate the action of the Secretary in establishing the Task Force to provide recommendations in the complex area of tenant participation and hope that she will move quickly to implement the report and these additional recommendations from the tenant representatives.

MINORITY REPORT
of
Task Force Members
Dorothy O. Forbes and William J. Ratzlaff

on

TENANT PARTICIPATION IN THE MANAGEMENT OF LOW-INCOME HOUSING

Efforts to advance tenant participation in public housing must proceed from an understanding of the public housing program and public housing agencies (including the purposes of the program as well as its legal and administrative framework) as well as from some basic agreement regarding the desired goals and purposes of tenant participation.

Legal and Administrative Framework

Public housing agencies (PHAs) operate primarily within the context of State enabling legislation which establishes their powers and responsibilities, including those of planning, financing, developing, and managing properties for occupancy by low-income persons. State law vests responsibility for authority operations in a local board of commissioners, usually appointed by the chief elected official of the general purpose local government. State law also defines "low-income" for public housing purposes, rent to income ratios, and other general parameters within which public housing must operate within the state. Executive Directors of PHAs are selected by this board of commissioners.

If the local program is federally assisted, the PHA has entered into an annual contributions contract (ACC) with the Department of Housing and Urban Development which delineates mutual responsibilities of the PHA, the Federal government, and the local government in carrying out public housing operations. The ACC sets forth specific requirements for the PHA in all phases of development, management, and financial operations. As a part of this contract, (and a related cooperation agreement), the local community agrees to tax abatement for public housing properties, as well as provision of appropriate city services.

Thus, operations of a public housing agency are a public business -- decisions are not at the unrestricted discretion of the local board of commissioners. In a real sense, commissioners of PHAs carry out their responsibilities as a public trust to ensure that the program is operated, within the constraints of state law and Federal contractual obligations, for the best interests of the entire community, currently and in the future. Tenant participation, in this context, is one element within the total framework of public responsibility. Tenants are citizens of the community-at-large as well as of the public housing community.

Any national standard for tenant participation established by HUD must also recognize the broad diversity of public housing across the country -- in large communities and small; in single units as well as multi-family projects; for elderly, as well as family occupancy. It must take into account the wide variation in experience among localities in tenant participation.

Thus, in our view, the proposed HUD regulations on tenant participation should encourage development at the local level of a variety of ways to achieve the goals of tenant participation, related to the particular characteristics of the locality, its applicable state and local laws, its public housing program and its public housing tenants. Local plans and methods for tenant participation should be responsive to the goals for tenant participation set forth in HUD guidelines, but PHAs should be permitted to utilize one or a variety of mechanisms including, but not limited to, informal arrangements, advisory committees, tenant organizations, etc. Local PHAs in consultation with their tenants should determine the appropriate mechanism(s).

Goals and Objectives of Tenant Participation

In our view, "tenant control" should not and cannot be the goal of tenant participation (as is strongly implied in the Majority Report) nor is "increased tenant involvement in the decision-making process" a sufficient goal in and of itself. We believe, however, that a substantial consensus already exists between experienced PHAs and responsible tenant leaders regarding the desired goals and objectives of increased tenant participation; which consensus can be summarized as follows:

A. to insure that public housing agency policies and regulations are responsive to the needs of tenants and the local community. This requires a sincere and continuous effort to achieve a mutual understanding by the public housing agency and tenants of the purposes and constraints of the public housing program, as well as the characteristics and needs of low-income families in the local community;

B. to elicit mutual PHA and tenant support for sound management practices;

C. to insure that powers vested in the PHA are exercised in a fair and responsible fashion. This involves an essential and constructive role by tenants in identifying issues of concern, and pursuing their resolution through clearly established procedures;

D. to promote upward mobility and maximum self-sufficiency for public housing tenants.

We also believe that, with the support and encouragement of HUD these mutual goals and objectives can become the basis of a real understanding between PHAs and tenant groups and a real partnership effort at better public housing through increased tenant participation.

Comments on Majority Report

The comments of the Majority Report are based upon the implicit assumption that they will prove both socially beneficial and cost effective, although there is little or no evidence to support that view - and some recent research appears to indicate that the opposite may be true.

In a recent study, the Urban Institute was commissioned by the Department of Housing and Urban Development to measure performance in public housing authorities across the country.[1] For this major study the Institute surveyed 120 housing authorities, and interviewed 3,000 housing authority staff and 6,000 residents at 400 separate housing projects. The authorities were divided into high and low performance groups based on their scores on 24 criterion measures. The Institute found that the high performance group on the average "Not only had higher levels of residents and staff satisfaction and better maintained buildings, but also had significantly lower total operating expenditures. Management practices were identified that were highly related to both high performance and lower operating costs." The Institute found that "The tenants in low performance group authorities actually had significantly more authority in setting rules for the projects, and in authority operations, than do tenants in high performance authorities. For example, tenants in low performance authorities were more involved in setting rules for tenant selection and eviction, and in hiring project staff and setting projects."

Thus, while based on our own experiences in Wilmington, North Carolina, and Denver, Colorado, we firmly believe - and hope - that meaningful and constructive tenant participation can lead to better public housing and better communities, we are also aware that the question is not free from doubt and that an irresponsible delegation of PHA responsibilities to tenant groups or other forms of "tenant control" may well lead to chaos, confrontation and bad housing.

Tenants can sometimes have "control" of certain housing management functions, to the extent that they are willing to assume corresponding management responsibilities that PHAs can lawfully delegate, but it is our experience (confirmed by the testimony of tenants at the Task Force public hearing on October 29th) that many tenants do not want to assume management responsibilities.

1/ Keys to Successful Housing Management, Morton Isler, Robert Sadacca, Margaret Drury. Urban Institute, Washington, D.C. 1974. Page IX.

The Basic Approach

1. The basic premise of the Majority Report, that public housing management should be a "partnership between tenants, housing authority staff and boards, and HUD," is good rhetoric, but bad law. While a "partnership of effort and cooperation" between these groups does need to occur in many authorities, the legal concept of a "partnership" is totally inapplicable.

In law, the term partnership necessarily implies mutual (though not necessarily equal) rights and responsibilities. For the most part however, the Report urges an equal sharing of management rights and prerogatives with "recognized tenant organizations" without any assumption of management responsibilities by such organizations. Except for Chapter IV, which urges a national policy in support of tenant management arrangements, wherein authorities would contract with Tenant Management Corporations for the provision of specified management services and the payment of specific compensation therefor, the Report is completely silent on the question of tenant responsibilities.

Thus, the Majority Report, even if adopted in toto by HUD, would not and could not bring about the "partnership" of which it speaks. Rather, it would create a new Tenants Bill of Rights (exercisable only by "recognized tenant organizations" - not by individual tenants) replete with irreconcilable conflicts with PHA responsibilities under the law, HUD regulations and HUD contracts.

2. In an attempt to find (or create) a lawful framework and mechanism for its "tenants rights" recommendations, the Majority Report postulates a completely erroneous analogy between private sector labor-management collective bargaining and tenant-management relations in public housing. A careful reading of the Report, which urges similar regulations for all HUD-held, insured or assisted housing, reveals a thinly-veiled intent to restructure all tenant-landlord relationships in the United States along collective lines.

The fact is, however, that the validity and viability of the labor-management collective bargaining process depends on a mutuality of rights and responsibilities (which is not present in the Task Force recommendations) and, in an ultimate sense, on the ability of labor to withhold its services and management to withdraw the opportunity for employment. While public housing tenants may, of course, terminate their tenancies (which is hardly a "service") or withhold rents, PHAs cannot lawfully deny eligible tenants access to or continued occupancy in public housing projects. Furthermore, the essential terms and conditions of the PHA tenant-landlord relationship are already spelled out in detail in the law, the tenant's lease and HUD regulations and cannot be substantially expanded or diminished by collective bargaining negotiations or agreements.

None of this is to say that there cannot or should not be tenant participation in the decision-making process in public housing management - or that there cannot or should not be on-going negotiations with organized tenant groups regarding individual or collective rights and grievances - but merely that there are limits, imposed by law, HUD regulations, existing contracts and sound management principles, to the end product of such participation or negotiation and that the Majority Report largely fails to recognize the existence of such limits. To the extent it does, the Report simply recommends that such limits be removed by whatever legislative or administrative action is necessary without any regard to the political improbability or legal impossibility of such action. Thus, the drafters of the Majority Report are guilty of the most grievous sin that can be committed by a responsible housing body; that of raising tenant expectations beyond what is legally and financially possible, thereby resulting in irreparable harm to present tenant participation efforts and the overall public housing program.

Tenant Recognition

Participation in tenant organizations by the tenants of all public housing projects should be encouraged by HUD and all PHAs, and the concept of dealing only with "recognized" tenant organizations, regularly elected through a democratic process is a good one.

However, the recommendation that such recognition be extended to any "bona fide" tenant or group of tenants, however small, making request therefore unless opposed by some other group (in which case an election shall be held by an independent third party) may, in fact, tend to disenfranchise a majority of the tenants in favor of a small, activist group which is not truly representative of the entire tenant body. Since the "recognized" group would then become the exclusive bargaining agent for all of the tenants in a project, implementation of this recommendation might well seriously impair and infringe upon contractual and other lawful rights of individual tenants - and, in fact, of a majority of the tenants in a particular project. Moreover, this recommendation has a serious potential for creating divisiveness and dissension within projects to the advantage of those who would subordinate the legitimate needs and desires of their fellow tenants to the advancement of their own personal or institutional power and goals.

Therefore, this recommendation should be modified to require that a petition for recognition can be filed only by a majority of the tenants in a project (or, at the very least, by a substantial minority; e.g., 33-1/3%) and that, in the case of an election between groups, no group be recognized unless a majority of the tenants vote in the election and the winning organization receives not only a majority of the votes cast but also the votes of at least 33-1/3% of all tenants in the project.

Finally, it should be made clear that if a majority of the tenants do not want a formal tenant organization, there will be none.

Combined or Citywide Council

The concept of combined or citywide tenant's councils also deserves to be encouraged. However, as in the case of project tenant organizations, care must be taken to insure that the rights and prerogatives of individual tenants and individual projects are not again discarded in favor of the collective whole. Therefore, any combined or citywide project should, at a minimum, include representation from a majority of the projects in a community and the recognition of any such combined or citywide council should not infer "exclusive recognition" of that council as the representative body of all tenants or all projects in the community or preclude or prohibit parallel recognition of individual project tenant organizations. Since it is not difficult to delineate those matters appropriate for discussion or negotiation at a citywide level from those more equitably and expeditiously handled at a project level, HUD regulations should specifically permit the recognition of both a combined or citywide council *and* individual project tenant organizations.

Scope and Form of Organized Tenant Participation

The form and concept of a "contract," which implies mutual consideration as well as mutual rights and responsibilities, is completely inappropriate to the relationship between tenant organizations (whether at a project level or citywide) and PHAs. The attempt to insert this concept as a central element of proposed HUD regulations on Tenant Participation is another transparent effort to create "tenant unions" under the guise of a tenant participation mechanism.

In any event, the recommendation that such contracts "shall include -- mutual agreement" on all important PHA policies, procedures and decisions is not only unacceptable and unrealistic, from the viewpoint of sound and responsible management, but is, for the most part, legally indefensible. Notwithstanding the subsequent explanation that the Task Force had considered and rejected the notion of tenant's "sign off" in all except five specified areas, the phrase "mutual agreement" is, at best, ambiguous and, at worst, implies the power to stalemate effective PHA action pending implementation of the dispute settlement mechanism. The language should be revised to permit "mutual agreement" but not require same. In those areas where tenant's "sign off" is specified, it is clear the Majority Report would authorize tenant organizations to prevent PHAs from carrying out their fundamental legal and financial obligations and responsibilities.

While it is true that many PHA policies, procedures and actions in the five specified areas, as well as many other management decisions, can and should be shared with recognized tenant organizations, there are many that, as a matter of law or of contractual obligation binding on the PHA, cannot be shared - and there are others which, as a matter of sound management practice, should not be shared. Even in the case of Lease Provisions and Grievance Procedures, where substantial negotiation is already provided for under the Model Lease and Grievance Procedure, in many states there are certain statutory requirements that cannot be negotiated or determined by HUD or any other third party.

In many other cases there will be a serious conflict of interest when the public interest differs sharply from the tenant's private interest. For example, given the obvious (and understandable) self-interest of tenants to preserve their leasehold for the longest possible duration at the lowest possible cost, with the greatest number of services and amenities provided by the PHA, how can the majority justify "mutual agreement" in such areas as rent schedules and rent policies. Establishment of rents and collection of rents are critical to the continued viability of the public housing program, particularly since any short-fall can only come from operating subsidy. Existing HUD regulations provide for tenant input whenever changes to rent schedules are proposed. To further complicate this process or jeopardize the ability of PHAs to collect rents is contrary to the expressed intent of Congress.

Or, given the fact (in our opinion) that public housing is for the benefit of low-income families both who presently reside there and who urgently require standard housing within their means, as well as for the overall betterment of the locality, how can the Task Force justify recommending "mutual agreement" for continued occupancy criteria and tenant selection policy? Frequently, tenants in occupancy feel new tenants are less desirable than the "old timers," while usually wanting special advantages for continued occupancy and transfers. Granting of exclusivity of special privilege to existing tenants raises serious issues of violating the rights of citizens outside of public housing to compete equally for critically short apartments and to receive equitable treatment under the housing program.

It is not helpful to say, as the Majority Report does, that the PHA and the tenant organization may negotiate to exclude certain matters from the "sign off" list. If all twenty-four PHA policies, procedures and decisions now listed in the Report are included in the final HUD regulations as being susceptible of mutual agreement, no tenant organization will ever agree to exclude any one of them from the list.

Funding of Tenant Organizations

At $5 per unit, this program will cost HUD more than $6 million per year ($650,000 in New York City alone) - to say nothing of the "in kind" services, facilities and equipment to be supplied by local PHAs and the tremendous local administrative costs and burden. At one large authority, estimates that the "in kind" and administrative costs of the program will equal at least another $10 per unit, or another $12 million nationwide, all of which is to be accomplished "within existing budgetary resources."

But whatever the cost, it must be made clear that the necessary funds will be provided by HUD in addition to and outside of the Performance Funding System (PFS). Anything else will seriously impair the present quality of public housing management and maintenance and the livability of public housing projects.

Where there are both a citywide tenant's council and individual project tenant organizations, HUD regulations should permit the allocation of such funds as are made available for tenant participation among the groups.

Tenant Access to and Representation on Local Housing Authority Boards

Whether or not PHA boards shall have one or more tenant commissioners is properly, a matter to be determined by the states in creating, or authorizing the creation of, local housing authorities. The possibility of the Federal courts pre-empting state law in this matter is practically nil. The analogy with Federal pre-emption of local rent control laws to protect the Federal government's direct economic interest in HUD-insured or HUD-assisted projects is extremely weak. It is difficult, if not impossible, to see how the Federal government's direct economic interest can be prejudiced by not having tenant commissioners.

In view of the widespread adoption of "sunshine laws," there should be no objection to the attendance of elected tenant representatives at PHA board meetings or to reserving a reasonable amount of time during the meeting for their comments on both agenda and non-agenda items. However, allowing tenant representatives to speak on each agenda item as it is presented could well lead to chaotic, disruptive, protracted and unproductive board meetings - to the detriment of all parties concerned - and should be rejected.

Tenant Employment

In many cases state or local laws and/or union contracts preclude giving "first preference" to tenants for public housing jobs. Frequently, local civil service laws require the selection of PHA employees by competitive examination.

Since many so-called "senior staff positions" are also covered by civil service laws and/or union contracts, implementation of the recommendation that tenant representatives review resumes, interview and make recommendations with regard to such positions would constitute a time consuming, useless, and counterproductive act.

The employment of senior staff not covered by civil service or union contracts, including and most importantly the chief executive of the authority, is clearly one of the most important and critical responsibilities of the PHA board (including its tenant commissioners) and cannot realistically be shared with a tenant organization with whom that senior staff or chief executive must deal - as management on a day-to-day basis. The Majority recommendation is fraught with the potential of collusion and undue influence on the one hand, and the danger of bad tenant relations on the other. It would serve only to politicize the process - to the detriment of legitimate tenant interests and responsible management.

Demolition of Public Housing Projects

We agree that demolition is a last resort policy option, and that local tenant organizations should be fully involved in developing requests for demolition, modification or disposition of projects. However, we do not agree that HUD regulations should require "concurrence" of such tenant organizations in the ultimate PHA decision. Any such concurrence requirement would violate the statutory and contractual obligations of both the PHA and HUD, to say nothing of the potential fiscal consequences to the PHA in the event of tenant non-concurrence with regard to a project that can no longer be maintained and/or operated within available funds.

Maintaining the Low-Income Character of Public Housing

Again, the Majority Report assumes that every low-income project should be maintained as such forever, which is not necessarily so. While tenant participation in the decision of what to do with a project where the ACC is expiring is clearly desirable, tenant organization "concurrence" would violate the basic legal responsibilities of both HUD and the PHA.

Mechanism for Dispute Settlement

A PHA board cannot lawfully delegate, to any dispute settlement mechanism, any decision which would affect its ability to carry out its own legal and contractual obligations. Obviously, it is better to have HUD resolve disputes regarding the substance of lease provisions or grievance procedures than it is to refer such disputes to an extraneous third party but, as has been previously discussed, even HUD cannot preempt state or local law applicable to these matters in the absence of an Appellate Court decision upholding each such preemption.

With regard to other disputes (not involving lease provisions or grievance procedures), it is for the PHA board to decide which disputes, if any, can be referred to a dispute settlement mechanism. The proper, and only, recourse from a final PHA board decision regarding the negotiability of a particular dispute is to the courts.

In any event, the dispute settlement mechanism, for which no separate funding is provided, will be time-consuming and costly and will add another level of bureaucracy system. It will inevitably make it impossible for PHAs to act expeditiously.

Compliance and Sanctions

The withholding of HUD programmatic funds from an entire community because of a failure of its PHA to comply with HUD tenant participation regulations is an outrageous recommendation. Most PHAs are legally autonomous and cannot be compelled to act or refrain from acting by the municipal government. Therefore, it would be completely unfair to penalize an entire community because of some breach of HUD regulations by an entity which it does not control.

Tenant Management

We are in favor of tenant management arrangements, where qualified and responsible tenant management corporations perform certain specified management functions and services (including, perhaps, acting as the management agent for one or more projects) and receive a stipulated compensation therefore - all in accordance with a contractual arrangement with the PHA; but any such arrangement must be subject to policies determined by the PHA board - just as any private management agent is subject to policies determined by the owner.

The use of a dispute settlement mechanism to mandate conversion to tenant management is totally unlawful and unacceptable.

In a cautionary vein, we note that the First Annual Report of the National Tenant Management Demonstration (dated December, 1977) indicates that the concept of tenant management, while attractive to some, is not easily put into action. In our judgment, the preliminary results of this demonstration certainly do not constitute any basis for the kinds of radical changes proposed in the Majority Report.

CONCLUSION

Many of the recommendations of the Majority Report, taken separately, have considerable merit, and many have no merit at all; but taken as a whole the Report constitutes both bad public policy and bad law which, if adopted by HUD without the modifications recommended in this Minority Report would result in a decline rather than an advancement of constructive and responsible tenant participation now taking place across the country.

We respectfully submit that any attempt to mandate, on a national basis, a single tenant participation mechanism, overriding state and local law and contractual obligations of PHAs, is doomed to failure - to the detriment of all concerned but, most particularly, to the detriment of public housing tenants. In the immortal words of one tenant-commissioner, "If it's working good, don't mess with it."

In the case of PHA-owned and/or managed Section 8 assisted projects, we have been advised by bond counsel that "the proposals contained in the Report fragment management and tend to create substantial doubts about the quality of management" and that "If tenants assume management decisions in critical areas such as lease terms, eviction procedures, and maintenance budgets without regard to permanent lending criteria, there will be no lenders," (emphasis supplied).

At a time when HUD is experimenting with alternative methods of financing low-income housing (e.g., Section 11(b) tax exempt bonds and/or mortgages), a dramatic shift in management functions would be very upsetting to investors.

Finally, we strongly urge that, whatever HUD's disposition toward the recommendations contained in the Majority Report, the entire Report, together with this Minority Report, be published in the Federal Register and made the subject of public hearings in all ten HUD Regions before any proposed regulation is drafted or published. Only in this way can all of the PHAs and tenants in this nation have the opportunity they deserve to be heard on a matter of such critical import to their future operations - and, perhaps, to their very survival as viable and valuable public agencies.

*U.S. GOVERNMENT PRINTING OFFICE : 1979 0-633-050/406

Mr. McHenry. Mr. Chairman, the task force Congresswoman Oakar referred to was on tenant participation. That task force did issue a report, and I believe there were some regulations that HUD promulgated. That was a demonstration on tenant management.

Chairman Gonzalez. That is what I was going to ask you.

Mr. McHenry. That is a separate report. That was, as I recall, under HUD's Secretary Hill.

Chairman Gonzalez. HUD's national demonstration.

Mr. McHenry. On tenant management. It was in cooperation between HUD and the Ford Foundation. That was a study that was done on that and a report. It was two separate pieces.

Chairman Gonzalez. That was the question I was going to ask.

Mr. Rigby. A quite inaccurate study.

Ms. Oakar. I want the report that included the participation of Mr. McHenry, Ms. Gilkey, and others relative to tenant management. I will be happy to supply the specific report I am talking about for the record.

Chairman Gonzalez. Was that the task force?

Ms. Oakar. Yes, sir. Thank you.

Chairman Gonzalez. That, of course, was under the administration of Mrs. Harris. On this HUD national demonstration tenant management project, do you remember what year?

Mr. Rigby. It began in 1976, and it went through, the first phase, 1978. It was then extended for four out of the six initial participating cities to 1980. There was evaluation done on the first and second phases.

Chairman Gonzalez. Yes; because I believe at the time you appeared before the committee, that was the beginning and what ended up, we didn't get legislation, but we got administrative response.

Mr. Rigby. That is correct.

Chairman Gonzalez. Well, gentlemen, unless you have—Mr. Bartlett, do you have any further questions?

Mr. Bartlett. No.

Chairman Gonzalez. If any of the witnesses wishes to add or say anything——

Mr. Rigby. Our thanks for your continued support.

Chairman Gonzalez. Thank you, Mr. Rigby, and I compliment you. As I said, I don't know of any higher honor. I know, in my case, when a constituent says "You are doing a fine job," that is the highest reward I can receive. When I heard Dr. Blount say that the Jersey City Housing Management and director were really responsible for making it possible for them having done what they had done thus far, that was really the greatest testimonial I would think a housing manager could receive.

So, my compliments to you, and to you, Mr. McHenry. Thank you very much for your cooperation.

[Whereupon, at 1:55 p.m., the subcommittee was adjourned subject to the call of the Chair.]

[Additional material submitted for inclusion in the record follows:]

Material Submitted for Inclusion in the Record

STATEMENT OF THE HONORABLE CHALMERS P. WYLIE

HEARING ON PUBLIC HOUSING TENANT MANAGEMENT

MARCH 25, 1986

Mr. Chairman, I applaud your efforts for calling today's hearing to hear testimony on public housing tenant management initiatives from five tenant management operations in Washington, D.C., St. Louis, Jersey City, Cleveland and Boston.

Mr. Chairman, last year you had the foresight to begin our series of legislative hearings at the Kenilworth-Parkside public housing project in Northeast Washington, D.C. At that time Members had an opportunity to see first hand a local public housing project which is run by a Resident Management Corporation (RMC). Our colleagues also had the pleasure of hearing from Ms. Kimi Gray, Chairperson of the Kenilworth Parkside Resident Management Corporation. Through our site visit and discussions with Kimi Gray most would agree that the Kenilworth-Parkside RMC is a successful experiment in privatizing the management of public housing while at the same time developing self-sufficiency for low-income welfare dependent families.

Mr. Chairman, as you may recall, during last year's drafting of H.R. 1 I offered an amendment with your support which would permit HUD to offer financial assistance to form and promote resident management corporations in public housing projects. Recently our colleague, Mr. Fauntroy introduced a bill which would foster the efforts of public housing residents to remove red tape and provide positive self-help incentive through legislation supporting tenant management. I applaud Mr. Fauntroy's efforts and I am pleased to co-sponsor his bill.

I know all my colleagues would agree that the Kenilworth experience as well as other resident management corporations that are represented at today's hearings are exemplary models for other public housing projects to use as role models. To coin a phrase I believe that tenant management of public housing "is clearly a good idea whose time has come."

Mr. Chairman, I am also including my statement from our Subcommittee markup of last June 4, 1985.

EXPLANATION

RESIDENT MANAGEMENT IN PUBLIC HOUSING

Purpose:

This amendment would authorize use by public housing agencies of up to $1.5 million of Fiscal Year 1986 Comprehensive Improvement Assistance Program (CIAP) funds for technical assistance to form and further promote resident management corporations, as an alternative to conventional management of public housing projects by PHAs. The technical assistance funds would be limited to no more than $100,000 per project.

Mr. Chairman, when you began this year's legislative hearings, this Subcommittee had an opportunity to see first hand a local public housing project which is run by a Resident Management Corporation (RMC). Kimi Gray's Kenilworth-Parkside Resident Management Corporation is a successful experiment in privatizing the management of public housing and developing self-sufficiency for low-income welfare-dependent families. The tremendous improvements in social and economic conditions at Kenilworth are a result of good management, effective social controls and real economic incentives.

Past research and experience indicates that tenant management cannot work everywhere, but it will work in some projects and where it will work, it has advantages. The advantages include:

1. Improve the management of PHAs by giving the tenants greater control over the delivery of management, maintenance, and social services.

2. Instill a greater sense of social responsibility among residents of public housing.

3. Promote job training, job creation, and a network of social services designed to facilitate partipation in the labor force.

4. Heighten responsibility of public housing residents to increase participation in all self-improvement services and enterprises.

5. Long-term cost effectiveness, through savings in management and social costs.

The desire to initiate a RMC should come from tenants residing in the project. It is contemplated that some form of existing vehicle such as a tenant council would have to be in existnece.

I invision that the public housing tenants would approach their PHAs to apply to HUD for technical assistance funding, as a part of a CIAP application.

Mr. Chairman, my amendment would go beyond helping promote newly formed RMCs. My amendment would also provide technical assistance funds to existing RMCs. I am sure Kimi Gray would agree with this. Even though Kimi is running a successful operation, we learned from her testimony that further assistance is needed with respect to Kenilworth's Comprehensive Modernization Project.

Mr. Chairman, I know all my colleagues on this Committee would agree that the Kenilworth experience, as well as other RMCs that are in existence in Boston, New Orleans and a few other cities are exemplary models for other public housing projects to use as role models. It is with this intention that I offer this amendment and urge its adoption.

IBFt53

[Resident Mngmnt]
[5-13-85]

AMENDMENT TO THE SUBCOMMITTEE PRINT OF MAY 10, 1985
(H.R. 1)

OFFERED BY WYLIE

Page 33, after line 15, insert the following new subsection:

(f) RESIDENT MANAGEMENT IN PUBLIC HOUSING.--Section 14 of the United States Housing Act of 1937, as amended by subsection (e), is amended by adding at the end thereof the following new subsection:

``(l) During fiscal year 1986, the Secretary may make available up to $1,500,000, from amounts otherwise available during such fiscal year for purposes of this section, for assistance to public housing agencies that obtain, by contract or otherwise (not exceeding $100,000 per project), technical assistance for the development of resident management entities, including (but not limited to) formation of such entities, development of the management capability of newly formed or existing entities, and identification of project social support needs and securing such support.''.

Statement for the record from Irene Johnson,
Chairman, LeClaire Courts Resident Management
Corporation, Chicago, Illinois

TO THE HOUSE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Public housing in Chicago is in trouble. Resulting from as much as thirty years of neglect, political deals, indifferent management and just plain racism, housing that was once good has been allowed to deteriorate to the point where some of it is now unlivable and much more will become so, if nothing is done.

Many people have documented the problems that face the Chicago Housing Authority and its tenants. Time does not allow me to go in to any detail, but a few key items should be mentioned. They are:

1. A steady decrease in the quality of the housing structures as maintenance is deferred.
2. A lack of quality maintenance done by firms and individuals who are either indifferent or inept.
3. The slow but steady deterioration of the social structure in many previously "healthy" developments, as problem families are introduced without any concern for the current residents.
4. Rising costs, particularly to those tenants who are employed and seeking to rise above the poverty level. Many households now pay rents that are at, or above market rates and the housing they get is less than adequate.

For the past several years, tenants at LeClaire Courts, a 615 unit development of the Chicago Housing Authority (CHA) have expressed concerns about the deterioration of their homes and their neighborhood. About two years ago, with assistance from the Clarence Darrow Community Center and the Voorhees Center at the University of Illinois at Chicago, we began to do something about these concerns. We studied what public housing residents had done elsewhere and we made trips to St. Louis, Washington, Boston and Baltimore. We learned about several options, including resident management. At a public meeting held a litle over a year ago, more than two hundred of us met and decided we could do something to make our development a good place to live.

After study, discussion and serious thought, we concluded that resident management provides us, the residents of LeClaire Courts, with the best opportunity to stabilize and revitalize our community. We have formed the LeClaire Courts Resident Management Corporation and are ready to begin training to become managers. We have sought the support and commitment of the CHA for our efforts and we expect their positive response within the next few weeks. By this time next year we expect to be completing the training and contract negotiations that will bring resident management to LeClaire Courts.

The LeClaire Courts Resident Management Corporation supports legislation that would facilitate the creation of resident management in public housing. H.R. 4026, the Public Housing Resident Management Act of 1986, is such a piece of legislation and it contains many provisions that would make the development of resident management much easier than it now is. Specifically we support the following provisions of the proposed legislation.

1. The priority allocation of comprehensive improvement assistance to projects managed by RMCs.

2. The retention of any revenues exceeding the operating and project costs. This is of critical importance since the RMC would have a potential source of funds to use for social and economic development projects to revitalize the community and its residents.

3. The allocation of financial assistance for the development of RMCs and the training of residents to become qualified managers.

We have, however, two concerns with the legislation as it is currently written. H.R. 4026 requires a majority of the adult residents of a housing project to approve the establishment of action that would lead to a RMC. We feel this requirement is much too stringent. While our studies and observations tell us that it takes a committed group of residents to make resident management work, this group is almost never, in the beginning, a majority of the residents. Public housing residents, after years of broken promises and lies, are skeptical about efforts that promise improvements. It takes time to build support and any opposition, including an uninterested housing authority, could use this majority requirement to forstall or defeat a resident management initiative.

Our other concern relates to the responsibilities that would be given to an RMC. We feel that to ensure its success, an RMC must have control over its own budget. We would like to see included in the legislation a statement that RMCs should be given budget authority and that resident managers be given the training that is needed to ensure that they will be able to make sound budgetary decisions. We hope to obtain budget authority at LeClaire Courts and at the same time recognize that we need to be trained to be able to handle this responsibility.

Thank you for giving me the opportunity to appear before you today. We are convinced that resident management is what we at LeClaire Courts need to build a strong, productive community. Your support in helping us realize our dreams, is most appreciated.

Respectfully submitted
Irene Johnson
Irene Johnson, Chairman
LeClaire Courts Resident
Management Corporation

MEMORANDUM

To: The Honorable Chairman Henry Gonzalez and Members
House Sub-Committee on Housing and Community Development

From: Public Housing Resident/Tenant Management Organizations

Subject: Resolution of March 28, 1986

Dear Chairman Gonzalez and Honorable Sub-Committee Members:

We wholeheartedly thank you for providing us with the opportunity to express our views and concerns for the future of public housing at the March 25, 1986, hearing convened by you. Your expressed interest, thoughtful questions, and compassionate responses to the challenges faced by resident management organizations will not only be helpful but will always be remembered by us as well.

We enthusiastically endorse H.R. 4026 ("The Public Housing Resident Management Act of 1986") as a long overdue federal response to the successes of and nationwide interest in resident management and the opportunities it provides for public housing residents in the form of jobs for the unemployed; better maintenance and project administration; and hope for our children's future.

We respectfully urge you to bring this bill to a vote in full committee at the earliest possible date.

We also would like to provide the attached comments in response to several criticisms of this initiative from the Council of Large Public Housing Authorities. We appreciate this Sub-Committee's consideration of our views on this historic and significant legislation.

Again, we warmly thank you for your leadership in granting us a hearing and look forward to a continuing partnership in forging innovative solutions to the problems facing public housing residents across the nation.

Sincerely,

Kimi O. Gray, Kenilworth-Parkside R.M.C.
Bertha Gilkey, Cochran Gardens TMC
[illegible] Blount A Harry Moore Jr T.M.C
[illegible] D. Reynolds, B.W. Cooper T.M.C.
Mildred C. Hailey - Bromley-Heath T.MC

NAME	PUBLIC HOUSING SITE	CITY, STATE
[illegible] Watson	St Bernard	New Orleans, La.
Kezeann [illegible]	Glendale	MPLS MN 55414
Bonnie Downs	Iroquois Homes	Louis. Ky.
Ernestine [illegible]	LeClaire Chgo	Chgo Ill 60638
Ruby Carter	Glendale	Mpls Mn 5541
Jewell Merritt	A Harry Moore	Jersey New Jersey
[illegible]	[illegible] TMC	New Orleans La 70125
John E. Baker Sr.	South Ute Housing Authority	Ignacio CO 81137
Irma Jordan	St Bernard	N.O. La. 70122
[illegible]	[illegible] Terrace	[illegible] Ohio
Shirley Jackson	Lakeview Terrace	Cleveland, Ohio
Thelma Pinnecoose	So. Ute Housing	Ignacio Co 81137
Charles Turner	Eastgate	Wash. DC. 20019
Gladys Fay	Kenilworth Parkside	Wash DC 20019
Irene Johnson	LeClaire Cts.	Chicago, IL 60638
Diana Stanley	Iroquois Homs	Louisville, Ky 40215
Lena Jackson	Lakeview Terrace	Cleveland, Oh. 441
Pamela Holman	Lakeview Terrace	Cleveland OH. 441

PUBLIC HOUSING RESIDENT/TENANT MANAGEMENT LEADERS RESPONSE TO CLPHA'S CRITICISM OF CONGRESSMAN FAUNTROY'S BILL

"Public Housing Resident Management Act of 1986" (HR 4026)

I. Points of Policy

1. HR 4026, drafted by and in the interests of grassroots public housing resident/tenant organizations, represents a landmark initiative on the part of Congress to support the self-help endeavors of resident management groups across the country which have proven successful in reducing crime, mismanagement, and deplorable conditions in public housing. We do share CLPHA's conviction, as stated in its Sub-Committee hearing testimony, that "resident management has been and remains an effective, alternative approach to site management. And, may also be a springboard for related social, economic and community development activities."

It is hence the view and experience of grassroots public housing resident groups that strong federal legislative initiative is required to reinforce the gains of existing resident management groups and to provide increased opportunities for new groups across the country. While we endorse recently released HUD regulations on tenant management, it is important to note that they do not provide the critical incentives and provisions for control over subsidy, and removal of bureaucratic red tape, which the Fauntroy bill addresses.

2. We fundamentally disagree with CLPHA's implication that HR 4026 would provide unfair advantage for public housing tenant organizations. The Congress has consistently chosen to provide incentives and reward behavior that contributes to the general public welfare, for example, through tax code provisions. Currently, federal policy rewards and favors mismanagement in public housing. Resident management of public housing has demonstrated an important and necessary approach toward transforming the quality of life in public housing while increasing project revenues and cutting costs to the American taxpayer.

II. Operating Subsidy Provisions

1. Tenant management organizations historically have had little control over their budgets and operating subsidy. In fact, federal policies have maintained disincentives which unfairly penalize constructive resident management programs. HR 4026 would redress this "second class citizen" status of public housing resident management groups by providing definitive guarantees for RMC's to receive their fair allocation of subsidy as well as the "fruits of their labors" (i.e. increased rent collections, vacancy rate decline, administrative cost

reductions, etc.). It is imperative to permit RMC'S to reinvest savings in creating their own day care, social services, and other enterprises designed to redress the matrix of problems confronting public housing communities.

2. We concur that several facets of HR 4026 need clarifying language, and offer the attached amendment as a vehicle to do so without diminishing the bill's legislative intent. We urge the Sub-Committee to reject other amendments intended to "water down" or eliminate the legislation's four primary and equally necessary provisions.

III. CIAP Prioritization

When public housing resident/tenant managers assume full responsibility for a particular development, they inherit vacant apartments, physical plant in dire need of major repair and modernization, etc. It is critical that fledgling RMC efforts - operating on shoestring budgets compared to vast resources at the disposal of the housing authority - be provided with sufficient and immediate modernization support in order to ensure success. Therefore, it is paramount that Congress recognize the importance of technical assistance and physical plant modernization at the early stages of tenant management assumption of project responsibilities, to "get them on their feet." Prioritization of RMC's for such modernization - which over time will occur throughout PHA citywide systems - does not take resources from other developments but merely recognizes the importance of providing for the emergency needs of newly established RMC'S. Resident management corporations have utilized modernization money more effectively than other sites, by diminishing overall costs to the taxpayer and drastically curbing vandalism which negates the expenditure of public modernization funds.

Given the track record of established RMC's in St. Louis, Jersey City, Boston, and other cities which have already received such assistance, this timing of CIAP modernization funds in early stages of resident management has proven to be effective and beneficial public policy in the long run.

In closing, we are committed to meaningful partnerships with the Sub-Committee to promote responsible authorizing legislation in the 99th Congress. We highly appreciate this opportunity to comment and provide ongoing input into policy formulation impacting our communities.

AMENDMENT TO H.R. 4026 PROPOSED BY PUBLIC HOUSING
RESIDENT MANAGEMENT LEADERS AT MARCH 26-28, 1986
CONFERENCE IN WASHINGTON, D.C.

1. Page 2, " (b) Program Requirements. (1) Resident Council."

Amend to read: "As a condition of entering into a resident management program, the elected resident council at a public housing development must approve the establishment of the tenant management corporation. A tenant management corporation and a resident council may be one and the same organization, as long as the definitional elements of each are met. Where no such representative resident council exists, a majority of adult residents of a public housing project must approve the establishment of such a resident council to determine the feasibility of establishing a tenant management corporation to manage the project."

Comment: Typically, the 13 tenant management corporations already in existence have been approved by the existing resident council, which already serves as a representative body elected by the adult residents of a public housing development. Current language in the Fauntroy bill needs to be clarified as stated above to recognize this process and the pre-existence of representative tenant councils.

2. Page 3, "(4) Management Responsibilities." Line 21.

Change "may" to read "shall."

Comment: Once a resident management program is approved by the democratically elected tenant organization at a public housing site, the tenants should have the basic right to enter into contract negotiations with the housing authority. This basic democratic principle and right of self-determination is comparable to the right of employees to enter into contract negotiations through union organizing efforts.

3. Page 5, "(c) Operating Subsidy. (1) Calculation."

Change to read: "Notwithstanding any provision of section 9 or any regulation under such section, the operating subsidy for a project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis. Any contract for project management entered into by a public housing authority and a resident management corporation shall specify the amount of income expected to be derived from the project itself, from sources such as rents and charges, and the amount of income to be provided to the project from the housing authority's other sources of income, such as operating subsidy, interest income, and rents. The amount of public housing authority provided income and operating subsidy established for such a project under this subsection may not be reduced during the three-year period beginning on the date of this legislation's enactment or at such time afterward that a new resident management corporation is formed, except that, if the housing authority's total income is reduced, the income provided by the housing authority to the resident managed project may be reduced in proportion to the total income reduction of the housing authority."

Comment: The above language clarifies the definition of project financial assistance and operating subsidy. It also provides for the proportionate readjustment of a tenant management corporation's operating subsidy in the event a housing authority's total income reduction. The amending language furthermore clarifies the intent of the legislation to apply immediately to established resident management corporations in addition to new resident management corporations.

4. Page 6. "(f) Resident Management Technical Assistance and Training. (1) Financial Assistance. Line 6.

Change "may" to "shall."

TMC
BROMLEY-HEATH
TENANT MANAGEMENT CORPORATION
42 HORAN WAY
JAMAICA PLAIN, MASS 02130
TEL 445-6515

STATEMENT BY
MILDRED C. HAILEY
EXECUTIVE DIRECTOR
BROMLEY-HEATH TENANT MANAGEMENT CORPORATION
HOUSE SUB-COMMITTEE ON HOUSING AND COMMUNTIY DEVELOPMENT
MARCH 24, 1986

GOOD MORNING MEMBERS OF THE COMMITTEE.

MY NAME IS MILDRED C. HAILEY AND I AM THE EXECUTIVE DIRECTOR OF THE BROMLEY-HEATH TENANT MANAGEMENT CORPORATION IN BOSTON, MASSACHUSETTS -- THE FIRST TENANT MANAGEMENT CORPORATION IN THE UNITED STATES. I HAVE LIVED IN BROMLEY-HEATH FOR TWENTY-FIVE YEARS.

THE TMC WAS INITIALLY FORMED AROUND A 1970 DEMONSTRATION PROGRAM. DURING THE EARLY YEARS, TENANTS WHO HAD ORGANIZED AROUND MANAGEMENT AND OTHER ISSUES WERE TRAINED IN MANAGEMENT SKILLS AND TOOK ON THE MANAGEMENT OF A FEW SELECTED PILOT BUILDINGS. DURING THIS PERIOD TMC WAS FUNDED THROUGH A SPECIAL OFFICE OF ECONOMIC OPPORTUNITY GRANT. THIS FUNDING ALLOWED THE ESTABLISHMENT OF A SMALL STAFF COMPRISED OF PROFESSIONAL AND TENANTS.

THE DEMONSTRATION PROGRAM WAS A SUCCESS, AND ON JANUARY 1, 1973, A NEGOTIATED CONTRACT WITH THE BOSTON HOUSING AUTHORITY TOOK EFFECT AND THE TMC TOOK OVER COMPLETE RESPONSIBILITY FOR

MANAGING ALL OF THE BROMLEY-HEATH SITE. UNDER THIS NEGOTIATED CONTRACT THE TMC IS RESPONSIBLE FOR ALL MANAGEMENT FUNCTIONS EXCEPT TO CERTIFY THE ELIGIBILITY OF NEW TENANTS. THIS ONE FUNCTION IS RESERVED TO THE HOUSING AUTHORITY AS IT IS THE ONLY FUNCTION AN AUTHORITY CAN NOT CONTRACT TO ANOTHER MANAGING AGENCY. THEREFORE, THE TMC EMPLOYS ITS OWN STAFF, CONDUCTS ITS OWN MAINTENANCE AND MODERNIZATION PROGRAMS, BUYS SUPPLIES, ENTERS INTO SERVICE CONTRACTS AS REQUIRED AND PROVIDES ALL OTHER TENANT SERVICES. ALL THESE FUNCTIONS WERE NEGOTIATED WITH THE BOSTON HOUSING AUTHORITY UNDER THE ANNUAL CONTRIBUTIONS CONTRACT OF THE HOUSING ACT OF 1937.

THE TMC IS RESPONSIBLE FOR THE MANAGEMENT OF THREE FEDERALLY ASSISTED PUBLIC HOUSING DEVELOPMENTS, TOTALLING 1,215 AS-BUILT UNITS. WE, THE TMC, MANAGE IN ACCORD WITH THE PRINCIPLE THAT MANAGEMENT MUST BE CONCERNED WITH THE WHOLE OF PEOPLES NEEDS AND RESPOND TO THEM AS PART OF CREATING AND MAINTAINING A COMMUNITY -- A COMMUNITY THAT CURRENTLY CONSISTS OF 3,000 PEOPLE.

WHEN THE TENANTS FIRST BECAME INVOLVED, THERE WERE 4,000 BROKEN WINDOWS, TONS AND TONS OF GARBAGE AND DEBRIS, LEAKY ROOFS, IN-OPERATIVE BOILER PLANTS, AND VOLUMES AND VOLUMES OF WORK ORDERS THAT COULD HAVE FILLED THE LOCAL LIBRARY. CRIME WAS SO BAD THE OUTSIDE REFERRED TO BROMLEY-HEATH AS THE "CONCRETE JUNGLE" -- SO BAD -- TENANTS COULDN'T GET BASIC DELIVERIES, SUCH AS MILK, BREAD AND DEPARTMENT STORE PURCHASES DELIVERED TO OUR COMMUNITY. UNEMPLOYMENT WAS HIGH, AND DRUGS ABOUNDED, BOTH USERS AND DEALERS. THERE WAS NO MAGIC WAND WE COULD WAVE AND NO POT OF GOLD AT THE END OF THE RAINBOW WHEN WE SIGNED OUR MANAGEMENT CONTRACT. INSTEAD, HARD DECISIONS HAD TO BE MADE, CONTINUOUS NEGOTIATIONS WITH THE BOSTON HOUSING AUTHORITY, HUD AND SOCIAL SERVICE AGENCIES AND LOTS AND LOTS OF BLOOD, SWEAT AND TEARS.

LET ME SHARE WITH YOU THE FRUITS OF OUR LABOR:

- THE MARTHA ELIOT HEALTH CENTER - A COMPREHENSIVE HEALTH FACILITY THAT PROVIDES TOTAL FAMILY CARE.
- THE INFANT DAY CARE - A PROGRAM THAT TAKES INFANTS FROM THE AGE OF ONE MONTH THROUGH THE AGE OF 2 YEARS AND NINE MONTHS.
- THE DAY CARE - A PROGRAM THAT TAKES INFANTS FROM THE AGES OF 2 YEARS, NINE MONTHS THROUGH SIX YEARS OF AGE.
- THE HEADSTART PROGRAM - PROVIDES FOR ALL CHILDREN THAT NEED PERSONAL HELP IN GROWTH DEVELOPMENT.
- APAC - A SOCIAL SERVICE AGENCY THAT PROVIDES JOB PLACEMENT, A FOOD BANK AND SENIOR CITIZEN SERVICES.
- OFICINA HISPANIA - AN EDUCATIONAL LEARNING CENTER.
- BROMLEY-HEATH COMMUNITY CENTERS - PROVIDES YOUTH DEVELOPMENT AND RECREATIONAL PROGRAMS.
- WTMC - A CURRENT CARRIER RADIO STATION THAT PROVIDES ENTERTAINMENT, PUBLIC SERVICE ANNOUNCEMENTS AND CAREER TRAINING IN BROADCASTING.

- BEAUTIFICATION PROGRAM - A YEAR ROUND PROGRAM OF COOPERATION BETWEEN MANAGEMENT RESOURCES AND TENANT INVOLVEMENT THAT FOCUSES ON THE "GREENING" OF THE DEVELOPMENTS THROUGH UTILIZING ALL SOFT SURFACES FOR VEGETABLE AND FLOWER GARDENING. IN RECENT YEARS AN ADDED FEATURE OF THE PROGRAM HAS BEEN THE "LIGHTING" OF BROMLEY-HEATH DURING THE CHRISTMAS HOLIDAYS.
- COMMUNITY PATROL - STARTED IN 1968. THE PRESENCE OF THE BROMLEY-HEATH COMMUNITY PATROL HAS BEEN ONE OF THE MAJOR FUNCTIONS THAT HELPED TURN OUR IMAGE AROUND. TECHNIQUES INCLUDE FOOT PATROLS, YOUTH ORGANIZING, BUILDING MEETINGS AND IDENTIFICATION OF VALUABLES. THE PATROL IS NOW AN IMPORTANT AND NECESSARY COMPONENT OF THE TMC MANAGEMENT PROGRAM.
- A GENERIC MAINTENANCE SYSTEM THAT HAS PROVIDED TENANTS WITH JOBS AND SUBSTANTIALLY REDUCED WORK ORDERS IN APARTMENTS.
- A COMPREHENSIVE MODERNIZATION EFFORT THAT HAS BEGUN TO ADDRESS INSTALLATION OF NEW WINDOWS, NEW BOILER PLANTS, AND THE REHABILITATION OF VACANT UNITS.
- A COMPREHENSIVE REHAB PROGRAM THAT HAS MODERNIZED ONE-THIRD OF OUR AVAILABLE UNITS.

WE HAVE USED EVERY AVAILABLE RESOURCE, BOTH FEDERAL AND STATE, TO ADDRESS THESE NEEDS. HOPEFULLY, SHARING THE EXPERIENCES OF OUR TMC, THE PROPOSED HR 4026 AND THE PROPOSED HUD TMC REGULATIONS

WILL ENABLE OTHER TENANT GROUPS TO ACHIEVE THE SAME RESULTS WITHOUT THE SAME STRUGGLE THAT WE ARE STILL EXPERIENCING BECAUSE OF DWINDLING RESOURCES AND LACK OF ENDORSEMENT OF THE TENANT MANAGEMENT CONCEPT.

IN CONCLUSION, IT IS WITH GREAT SATISFACTION THAT I HAVE HAD THE OPPORTUNITY TO STAND BEFORE YOU TO TESTIFY ON OUR TMC EXPERIENCE FOR HR 4026, THE PUBLIC HOUSING RESIDENT MANAGEMENT BILL OF 1986. IT IS A WELCOME ENCOURAGEMENT TO RESIDENT MANAGEMENT, BECAUSE SOME HOUSING AUTHORITIES AND FEDERAL OFFICIALS HAVE CHOSEN TO RESIST RESIDENT MANAGEMENT AS A VIABLE ALTERNATIVE TO TRADITIONAL PUBLIC HOUSING MANAGEMENT. LEGISLATIVE ENDORSEMENT APPEARS TO BE ESSENTIAL EVEN THOUGH THE BROMLEY-HEATH EXPERIENCE WAS ACHIEVED WITHOUT AMENDING THE U. S. HOUSING ACT OF 1937.

IN CONSIDERING LEGISLATION I IMPLORE YOU TO CONSIDER THE FOLLOWING WHICH I CONSIDER ESSENTIAL INGREDIENTS FOR THE SUCCESS OF A RESIDENT MANAGEMENT CORPORATION:

- THE ASSURANCE OF CONTINUED FEDERAL SUPPORT AND FUNDING FOR A STRONG PUBLIC HOUSING PROGRAM THAT ADDRESSES THE NEEDS OF LOW AND MODERATE INCOME PEOPLE.
- LANGUAGE THAT ADDRESSES THE NEED FOR A STRONG RELATIONSHIP BETWEEN THE RESIDENT MANAGEMENT CORPORATION AND THE LOCAL HOUSING AUTHORITY.
- A BUILT-IN MECHANISM THAT ADDRESSES THE NEED FOR CAPITAL IMPROVEMENT FUNDING FOR RESIDENT MANAGED DEVELOPMENTS. WITHOUT ADEQUATE RESOURCES IT WOULD

BE DESIGNED FOR FAILURE.

NEITHER TENANTS NOR AUTHORITIES SHOULD HAVE A TMC PROGRAM FORCED UPON THEM. BOTH PARTIES MUST BE WILLING AND ACTIVE PARTICIPANTS. FUNDING FOR A TMC IS ABSOLUTELY NECESSARY, BUT MUST NOT HAMPER THE FUNDING THAT LOCAL AUTHORITIES ALSO DESPERATELY NEED TO RUN THEIR OTHER DEVELOPMENTS.

AS A CONCLUDING NOTE, I WISH TO ADD MY VOICE TO THOSE WHO FEAR THE DREADFUL CONSEQUENCES TO THE PUBLIC HOUSING PROGRAM AS A RESULT OF BUDGET BALANCING ACTIONS NOW IN PROCESS. IF THE PUBLIC HOUSING PROGRAM CAN NOT SURVIVE THE SEVERE CUTS THAT ARE THREATENED NEITHER WILL RESIDENT MANAGEMENT.

THANK YOU COMMITTEE MEMBERS FOR YOUR ATTENTION. THANK YOU BOSTON HOUSING AUTHORITY FOR YOUR FIFTEEN YEARS OF SUPPORT. AND MOST OF ALL, I WOULD LIKE TO PUBLICLY THANK BOB WOODSON AND THE NATIONAL CENTER FOR NEIGHBORHOOD ENTERPRISE FOR THEIR SUPPORT, MOTIVATION AND EXPOSURE OF THE RESIDENT/TENANT MANAGEMENT CONCEPT AND FOR THEIR PERSONAL CONCERN FOR EVERY AMERICAN HAVING A DECENT, SAFE AND AFFORDABLE HOME WHETHER IN PUBLIC HOUSING OR ANY OTHER COMMUNITY.

TESTIMONY SUBMITTED TO HOUSE SUB COMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT

PREPARED BY: THELMA PINNECOOSE
EXECUTIVE DIRECTOR
SO. UTE PUBLIC HOUSING AUTHORITY

IN BEHALF OF THE SOUTHERN UTE INDIAN RESERVATION

MARCH 25, 1985

MOST OF THE 1,150 TRIBAL MEMBERS LIVE ON THE SOUTHERN UTE RESERVATION AND SOME OF THEM LIVE IN THE IMMEDIATE VICINITY OF THE SMALL INCORPORATED TOWN OF IGNACIO. THE POPULATION OF IGNACIO IS ABOUT 2,000. THE INHABITANTS THERE CONSIST OF SOUTHERN UTES, SPANISH AMERICANS, ANGLO'S, AND OTHER TRIBES.

THE SOUTHERN UTE INDIAN TRIBE FUNCTIONS UNDER A TRIBAL CONSTITUTION FORMALLY ADOPTED IN 1936. THE CONSTITUTION WAS AMENDED OCTOBER 25, 1978. THE TRIBES' ELECTED TRIBAL COUNCIL CONSISTS OF SEVEN MEMBERS, WHICH INCLUDES THE TRIBAL CHAIRMAN.

YEARS PRIOR TO THE 1950's, TRIBAL HOUSING WAS CONSTRUCTED IN A SIMPLE MANNER, USING LUMBER AND SOMETIMES ADOBE MATERIAL. THESE

HOMES WERE TWO ROOM CONSTRUCTIONS AND LACKED MODERN SANITARY CONVENIENCES. THERE WAS NO INDOOR PLUMBING, ELECTRICITY, ETC. DURING THIS TIME, TRIBAL FAMILIES LIVED IN SCATTERED AREAS ON TRIBAL OR ALLOCATED LANDS.

PUBLIC HOUSING WAS LEGISLATED IN 1937 BUT IT TOOK 25 YEARS BEFORE IT BECAME AVAILABLE TO NATIVE AMERICANS. THE SO. UTE TRIBAL COUNCIL SAW A DESPERATE NEED TO PROVIDE SAFE, DECENT AND SANITARY HOUSING FOR THE TRIBAL MEMBERS.

ON OCT. 29, 1963, THE SO. UTE TRIBAL COUNCIL ADOPTED A TRIBAL ORDINANCE ESTABLISHING THE HOUSING AUTHORITY. DURING THIS PERIOD HOUSING WAS BECOMING AVAILABLE TO INDIAN TRIBES ACROSS THE COUNTRY. SINCE THIS TIME, THE SOUTHERN UTE PUBLIC HOUSING AUTHORITY HAS DEVELOPED THE FOLLOWING:

LOW RENT - FOUR PROJECTS	101 Units
OLD MUTUAL HELP PROJECT	30
NEW MUTUAL HELP - THREE PROJECTS	49
MUTUAL HELP NEAR COMPLETION	10
TOTAL	190

FIFTEEN ADDITIONAL MUTUAL HELP HOMES ARE IN THE PIPELINE.

OUR GREATEST NEEDS INCLUDE HELPING YOUNG PEOPLE FINISHING SCHOOL, RETURNING TO THE RESERVATION AND STARTING FAMILIES. THE TRIBAL MEMBERS ARE INDUSTRIOUS AND ANXIOUS TO BE INDEPENDENT. WE ALSO HAVE A WEALTH OF MANPOWER IN THE MANY ELDERLY WHO HAVE LITTLE TO

DO. WE HAVE AN EXTREME NEED FOR AN ENTERPRISE DEVELOPED AND OPERATED BY LOCAL INDIVIDUALS LIVING IN HUD HOUSING. WHEN THIS IS ACHIEVED WE CAN LOOK AT TENANT MANAGEMENT OF OUR PROJECTS AND BE ABLE TO PLAN AND DIRECT OUR OWN DESTINIES.

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